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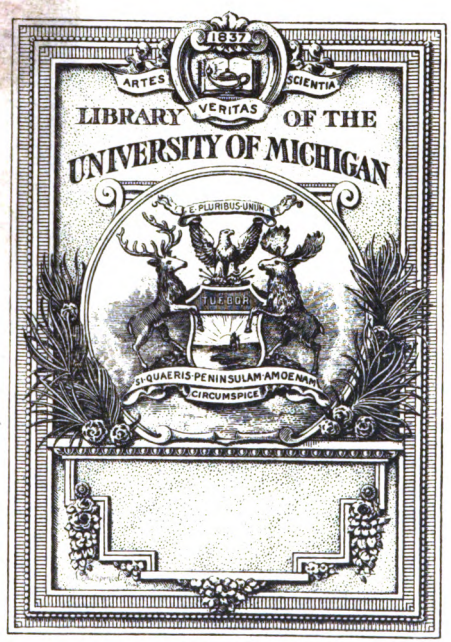

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FOR THE YEARS 1844–72,

WITH OBSERVATIONS ON THE RELATION OF THE BANKING RESERVE OF THE BANK OF ENGLAND TO THE CURRENT RATE OF INTEREST, BEING AN INQUIRY INTO SOME OF THE CAUSES WHICH HAVE LED TO THE HIGH RATES CHARGED IN RECENT YEARS,

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NOTES ON BANKING

IN

GREAT BRITAIN AND IRELAND, SWEDEN, DENMARK AND HAMBURG;

WITH SOME REMARKS ON THE AMOUNT OF BILLS IN CIRCULATION, BOTH INLAND AND FOREIGN, IN GREAT BRITAIN AND IRELAND; AND THE BANKING LAW OF SWEDEN.

BY

ROBERT HARRY INGLIS PALGRAVE,

Member of the Council of the Statistical Society of London.

"Nullum numen abest si sit prudentia."—Juv., Sat. x, 365.

LONDON:
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PREFACE.

THE object of the following pages is to give an outline of the present position of Banking in the United Kingdom, with as complete an estimate as is possible of the amount of capital engaged in it. I have also traced some of the changes which have taken place during the last quarter of a century, the vast development of the sums deposited, the great increase in the rapidity of the circulation of money; as well as the importance of these alterations, and the influence which they may exert in any time of pressure. A complete description of the Banking system in Sweden, Denmark, and Hamburg is included, with details which have hitherto never been published in this country. At some future time I hope to be able to undertake a description of the systems of France and Germany, but the present state of Banking in both these countries is so disturbed, that I have thought it best not to attempt to describe what may prove to be, and is, I trust, only a transitory condition. The absence of any account of Banking in France will explain why no mention is made of the very important "Enquête sur les principes et les faits généraux qui regissent "la circulation monétaire et fiduciare," made in 1865 by order of the French Government. To one fact however, clearly brought out in that exhaustive inquiry, to the increased interdependence of the great monetary centres of Europe on each other, I may make a reference here, as I have given some details on this part of the question in the chapter on *Foreign Bills*.

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One addition is made to the statement as it appeared in the *Journal of the Statistical Society*, which will be found in the note added to the estimate of the probable amount of cash reserves. In other respects the text is unaltered.

I wish to express my sense of the assistance kindly rendered to me by many Fellows of the Statistical Society, and by others also during the conduct of this inquiry; as well as of the service which the *Journal* of the Society, and the valuable information to be found there, has been to me. It is by statistical research alone, by collecting, grouping, and comparing facts, that a knowledge of the real position of Banking can be obtained.

I trust that the information contained in the following statement may be found of service in the practical development of a business, on the sound conduct of which so much of the prosperity of the country depends.

R. H. I. P.

May, 1873.

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NOTES ON BANKING

IN

GREAT BRITAIN & IRELAND, SWEDEN, DENMARK, & HAMBURG.

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Read before the **Statistical Society of London**, 18*th* ***February***, 1873, *and* ***Reprinted from the Society's Journal.***

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NOTES ON BANKING

IN

Great Britain and Ireland, Sweden, Denmark, and Hamburg;

WITH SOME REMARKS ON THE AMOUNT OF BILLS IN CIRCULATION, BOTH INLAND AND FOREIGN, IN GREAT BRITAIN AND IRELAND; AND THE BANKING LAW OF SWEDEN.

I.—INTRODUCTION.

As the subject of Banking has been frequently brought before the Statistical Society of late, it has occurred to me that it might be desirable to endeavour to lay before you a statement of the actual position of the banks of the country at the present time, as far as it can be ascertained. Though it may be impossible to draw such statements up with complete accuracy, yet they may not be without value. They enable a comparative view to be taken of the position of affairs in the country at various periods. More than that, they afford, in the case of a subject like banking, the only correct basis on which a real knowledge of the requirements of the time can be founded. The subject is one which appears to me to require not so much discussion as analysis, and such an analysis it will be my endeavour to lay before you. This Society has, in the *Journals* of former years, several statements similar in nature to this one; and in arranging the method on which this inquiry was to be conducted, I have derived great assistance from the very admirable paper on the same subject written by Mr. Newmarch in 1851. I have also consulted the papers written by Mr. Gilbart and Mr. Babbage. Something like twenty years have passed since the date of the latest of these papers, and those twenty years have witnessed a vast extension of banking operations. My desire is to continue an inquiry commenced by

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writers of so much authority. I can scarcely hope that my knowledge equals theirs, but, to make up this deficiency, I have sought and obtained assistance from many friends, and have thus been able, as I believe, to prepare an estimate as exact as is possible of the present position of this subject. I have added an outline of the banking systems in Sweden, Denmark, and Hamburg. In the case of Sweden I have gone into greater detail, and given a translation of the statute by which the business of banking is at present regulated in that country. This enactment, as well as the banking system which has been founded on it, seems to me remarkably well considered and carefully arranged. Sweden, like Scotland, owes very much of her present prosperity to a good system of banking. There are several provisions in the banking law of Sweden which may be studied with advantage here, great as are the differences between that country and this. I had originally intended to have included other countries of Northern Europe in the present inquiry. The difficulty of obtaining reliable and recent information has prevented this from being done. I trust, however, to be able to complete the survey on some future occasion.

II.—*Statement of Banking in England.*

There are now a great many sources whence information as to the amount of banking capital and deposits in England can be obtained. To commence with the metropolis, the accounts of the Bank of England are published weekly. We may take the average position to be as follows:—

Circulation	24	millions, of which about 16 is metropolitan, and 8 provincial
Deposits—Public and Private, say	25½	millions
Capital and rest	17½	„
	67	„

The amounts held by the private bankers in London must be only a matter of conjecture. In 1851 there were thirty-five city bankers and sixteen west end bankers, and Mr. Newmarch estimated their holdings at an average of 1,250,000*l.* each. There were also fifty-one in 1872, and I believe that I am below the mark in estimating their present holdings at 1,500,000*l.* each. This would give 76½ millions as their holdings. Mr. Newmarch allows me to state that he concurs in this as a probable estimate.

The accounts of the joint stock banks in London are published twice a-year. In the Commercial History and Review of 1871, published by the "Economist," the deposits and the capital of the

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eleven principal London joint stock banks are given at 31st December, 1871, as—

	£
Paid-up capital and reserve	10,950,000
Deposits (including acceptances in the case of the London Joint Stock)	84,730,000
	95,680,000

The particulars are as follows:—

TABLE 1.—*London Joint Stock Banks, Two Half-Years* 1871, *Deposits and Capital.*

[0,000's omitted, thus £26,22 = £26,220,000.]

Banks.	When Founded.	Deposits and Cash.		Capital Paid-up and Reserve.	
		31st December.	30th June.	31st December.	30th June.
		£	£	£	£
1. London and Westminster	1834	26,22	22,77	3,00	3,00
2. „ Joint Stock*	'36	17,79	14,61	1,64	1,64
3. Union	'39	13,80	12,71	1,50	1,50
4. City	'55	2,78	2,36	60	60
		60,59	52,45	6,74	6,74
5. Imperial, Limited	1862	2,25	2,23	50	50
6. Alliance, „	'62	1,46	1,60	87	84
		64,30	55,68	8,11	8,08
7. Consolidated, Limited	1863	2,48	2,45	85	85
8. Central, „	'63	55	57	10	10
9. Metropolitan, „	'63	68	59	21	21
10. London and South-Western, Limited	'62	61	57	18	18
		68,62	59,86	9,45	9,42
11. London and County	1836	16,11	14,50	1,50	1,50
		84,73	74,36	10,95	10,92

* The London Joint Stock Bank does not, like all the other banks, separate acceptances from deposits. Hence the 17,790,000*l.* above must be largely reduced to arrive at the cash deposits. In December, 1867, the acceptances were given at 2,734,000*l.*, but may now be much more.

Taken from the "Economist" (supplement), 16th March, 1872, Commercial History and Review, 1871, p. 62.

The deposits for December, 1872, were about 5 millions more, but I have given the details for the year 1871, as the remainder of my statements could not be brought later than that date.

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There are not the same means of giving an exact account of the capitals and holdings of the joint stock banks in the country as in London. The balance sheets of many of the provincial joint stock banks are printed in a supplement to the "Economist" newspaper, and in the "Banker's Magazine." From these sources I have been enabled to acquire a great deal of information. Having availed myself of this, I then obtained from those banks whose accounts were not published in the "Economist" or the "Banker's Magazine" the latest statements issued. Many, however, of the provincial joint stock banks do not publish any accounts at all. In some cases the balance sheets are read over to the shareholders. Others prepare written statements which are exhibited to the shareholders only. Even less information than this is sometimes given. But in almost every instance, the exceptions being so few as to be quite immaterial, I was able to ascertain the amount of capital employed, the reserve funds, and the rate of dividend paid. With this assistance, and taking the published statements of deposits held by other banks, either in the same neighbourhood or in districts similarly circumstanced, as a guide, I was able to estimate, with I believe considerable exactness, the position of the remainder.

In the twenty-two years since Mr. Newmarch wrote, the numbers, and also the holdings, of the provincial banks have greatly extended. In 1851 there were about 900, at the present time there are about 1,620 bank offices in England and Wales, exclusive of London. This includes the head offices, whether private or joint stock, and their branches. Guided by the information previously mentioned, I am of opinion that the amount of deposits and capital held by each banking office may be averaged at not less than 130,000*l.* each. In this estimate I include the amount of country bank notes in circulation, averaging about 5 millions. I also include drafts at short dates and at sight, which, taking the returns made by the several banks for composition on stamp duty as a guide, and making an estimate of the probable amount of drafts issued on penny stamps, I cannot believe to be less than from a million and a-half to two millions at one time. I do not include the bank post bills issued by the Bank of England in this sum.

Taking this estimate as a basis, the recapitulation will be, 1,620 provincial bank offices in England and Wales at 130,000*l.* each, 210 millions in all. I have formed this estimate after very considerable inquiry and reflection; in it are included the capitals of the banks themselves, which are often large; and also the amounts as mentioned above of the notes and short drafts in circulation issued by these banks.

The summary of these results will be:—

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		Capital and Deposits of Bankers in England.
Bank of England, total resources.....	(say)	67 millions
London bankers, private and joint stock	„	174 „
Provincial „ „	„	210 „
Total.....		451* „

To these sums must be added the proportion of these holdings of the discount houses in London which do not belong to the bankers. These houses are estimated in the Commercial History and Review of the "Economist," as holding about 78 millions at the close of 1871. A considerable portion of this money was doubtless deposited with these houses by bankers in London, the provinces, and elsewhere. This we must exclude, as it has been already reckoned among the deposits held by the bankers. The particulars are as follows:—

TABLE 2.—*London Discount Companies*, 1870 *and* 1871. *Progress of Total Means held as Capital, Reserves, and Deposits of the following Three Companies—National Discount Company*, 1856; *General Credit Company*, 1866; *and United Discount Company*, 1865.

[000's omitted, thus £2,437, = £2,437,000.]

Description.	31st December, 1871.	31st December, 1870.
I.	£	£
Capital paid-up	2,437,	2,437,
Reserves	571,	541,
Deposits	3,008, 20,587,	2,978, 15,935,
Total means	23,595,	18,913,
II.		
Average of three companies	7,865,	6,152,
III.		
Estimate of (say) seven more discount concerns (in all ten) at same average	78,650,	61,520,
IV.		
Equal (at an average unexpired date of fifty days of the bills discounted) to a total discount per annum of (say)	574,000,	430,000,
V.		
Leaving to fall due at each of the 300 working days (say)	1,600,	1,400,

Note.—Taken from supplement to "Economist," 1871, Commercial History and Review of 1871, 16th March, 1872, p. 66.

After careful inquiry, I believe that an estimate that three-fifths of this money is deposited by bankers, and two-fifths by other

* About 40 millions of this amount is with "limited companies," some of which, in the provinces, have retained their note circulation. In respect of such issue they continue subject to unlimited liability under "the Companies Act, 1862," 25 and 26 Vict., cap. 89, sec. 182.

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persons, will be as close an approximation as can be arrived at. I do not separately enumerate the deposits of assurance companies referred to by Mr. Newmarch, the amount of which for 105 assurance companies, I am informed, was for the year 1871—

	£
Cash balances, chiefly at bankers	2,450,430
Short loans, chiefly deposit accounts, at joint stock banks, discount houses, &c.	1,003,443
	3,453,873

as these sums are already included in the estimate of money in the hands of bankers, or with the discount houses, as not deposited by bankers.

We must now include a new and very important element in London banking, which has sprung up almost entirely since Mr. Newmarch wrote. I mean the Foreign and British Colonial joint stock banks having offices in London. In 1851 there were, as I find by a reference to the banking directories and magazines of that date, only ten of these banks, with paid-up capitals and reserves of about 5½ millions, and deposits probably not much exceeding 20 millions. There were, in 1872, more than forty-five of such banks, with capitals and reserves of about 30 millions, and deposits and circulations of about 120 millions. Some reference to these banks must be made in any statement of English banking; it is extremely difficult to estimate the amount of influence which they exert on the English money market, but I shall endeavour to deal with this question further when speaking of deposits held in England. Nor must we, in taking a broad view of the question, lose sight of the large sums held both by the trustee and the post office savings banks. These are stated in the last published number of the "Statistical Abstract" to be as follows:—

Computed Capital of the Savings Banks under Trustees, 1871.

	£
England	31,496,000
Wales	1,066,000
Scotland	4,119,000
Ireland	2,224,000
	38,905,000

Computed Capital of Post Office Savings Banks, 1871.

	£
England and Wales	15,939,000
Scotland	341,000
Ireland	745,000
	17,025,000*

* "Statistical Abstract for the United Kingdom," No. 19, 1872, pp. 102 and 103.

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being together about 56 millions. In 1851 the post office savings banks did not exist. The amounts held by the trustee savings banks in that year were 30,277,684*l.**

These amounts include almost every thing in the shape of what may be called banking money in England which can be traced. There are, however, doubtless very large sums in the hands of commercial houses and foreign bankers, whose names do not appear in the list of bankers. Of these no estimate which can be of any use can be formed, nor is it needful for the purpose of this inquiry. I have included in my estimate all the houses recognised as bankers in the list in the "Banker's Almanack." It is the invariable custom, I believe, for the commercial houses and foreign bankers mentioned, to have an account with a recognised banker, and hence their deposits, so far as they affect the banking operations of this country, are brought into consideration in the statement given above.

The banks in England, both private and joint stock, remain very similar in constitution now as when described by Mr. Gilbart. In no country that I am acquainted with do they vary so much in size. There are great companies, with capitals and liabilities ranging from 20 to 30 millions. There are small companies, with capitals ranging from 25 to 50 thousands, whose deposits are probably considerably smaller in amount than the sums which the larger concerns annually pay to their shareholders as dividends. Among the private banks, the differences, though less in extent, are probably very considerable.

There are in England and Wales at this date, of private firms carrying on the business of banking:—

In London (say)	51	
„ the provinces (say)	206	
„ with about „	290	branches
	547	
Joint stock banks in London and the provinces	116	
With about	1,007	branches
	1,670	

not including the Bank of England with its eleven branches.

The following table explains the size of the places in which these banks carry on their business. I have followed the best definition that could be obtained of these places either as parliamentary or as municipal boroughs. Where no such boundaries existed, the population of the "civil" parish has been followed. It was impossible to identify, satisfactorily, some six or seven of the smaller places.

* "Statistical Abstract for the United Kingdom," No. 11, 1864, p. 77.

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TABLE 3.—*Population of Places in England, according to the Census of* 1871, *in which there were Bank Offices in* 1872.

	Inhabitants (according to Census of 1871).
In 16 places with less than	1,000
„ 93 places between	1,000 and 2,000
„ 135 „	2,000 „ 3,000
„ 87 „	3,000 „ 4,000
„ 69 „	4,000 „ 5,000
„ 53 „	5,000 „ 6,000
„ 51 „	6,000 „ 7,000
„ 40 „	7,000 „ 8,000
„ 20 „	8,000 „ 9,000
„ 20 „	9,000 „ 10,000
„ 17 „	10,000 „ 11,000
„ 8 „	11,000 „ 12,000
„ 8 „	12,000 „ 13,000
„ 6 „	13,000 „ 14,000
„ 8 „	14,000 „ 15,000
„ 12 „	15,000 „ 16,000
„ 5 „	16,000 „ 17,000
„ 9 „	17,000 „ 18,000
„ 9 „	18,000 „ 19,000
„ 4 „	19,000 „ 20,000
„ 5 „	20,000 „ 21,000
„ 7 „	21,000 „ 22,000
„ 2 „	23,000 „ 24,000
In 2 places between	24,000 and 25,000
„ 12 „	25,000 „ 30,000
„ 11 „	30,000 „ 35,000
„ 6 „	35,000 „ 40,000
„ 10 „	40,000 „ 45,000
„ 10 „	45,000 „ 50,000
„ 5 „	50,000 „ 55,000
„ 3 „	55,000 „ 60,000
„ 3 „	60,000 „ 65,000
„ 3 „	65,000 „ 70,000
„ 1 „	70,000 „ 75,000
„ 2 „	80,000 „ 85,000
„ 4 „	85,000 „ 90,000
„ 1 „	90,000 „ 95,000
„ 2 „	95,000 „ 100,000
„ 6 „	100,000 „ 150,000
„ 2 „	150,000 „ 200,000
„ 1 „	200,000 „ 250,000
„ 1 (*a*) „	250,000 „ 300,000
„ 1 (*b*) „	300,000 „ 350,000
„ 1 (*c*) „	350,000 „ 400,000
„ 1 (*d*) „	450,000 „ 500,000
„ 1 "the Metropolis"	3,266,987
In 773 places in all.	

Mr. Gilbart gives the corresponding number in 1854 as 567 places.*

In Birmingham (*b*) there were in 1872	11 offices	= 1	to every	31,200	inhabitants.
„ Leeds (*a*) „	10 „	= 1	„	25,900	„
„ Liverpool (*d*) „	17 „	= 1	„	29,000	„
„ Manchester (*c*) „	21 „	= 1	„	18,000	„
„ the Metropolis (as defined in the census report)	167 „	= 1	„	19,500	„

Compared with the total population of England and Wales there were—

In 1851	1 bank office	to about	20,000 inhabitants.
„ '54	1	„	16,500 „
„ '72	1	„	13,000 „

In preparing the foregoing table I was indebted to the kindness of our president, Dr. Farr, who forwarded me the proof sheets of the summary Table VII of the Census of 1871, giving the popula-

* Statistical Society's *Journal*, 1854, p. 307.

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tion of cities, municipal boroughs, parliamentary boroughs, and other principal towns, &c., in England and Wales. I checked this statement with the list of bank offices in the "Banking Almanack." According to it, in 282 places the population of which is given below, there is no banking office open at the present time. It is probable that many of these places are hamlets adjacent to larger towns possessing banks.

	Inhabitants (according to Census of 1871).
In 60 places between.....	1,000 and 2,000
„ 64 „	2,000 „ 3,000
„ 37 „	3,000 „ 4,000
„ 36 „	4,000 „ 5,000
„ 24 „	5,000 „ 6,000
„ 20 „	6,000 „ 7,000
„ 12 „	7,000 „ 8,000
„ 2 „	8,000 „ 9,000
„ 2 „	9,000 „ 10,000
„ 3 „	10,000 „ 11,000
„ 5 „	11,000 „ 12,000
„ 1 „	12,000 „ 13,000
„ 4 „	13,000 „ 14,000
„ 6 „	14,000 „ 15,000
„ 3 „	16,000 „ 17,000
„ 1 „	21,000 „ 22,000
„ 1 „	23,000 „ 24,000
„ 1 „	25,000 „ 30,000
282 places in all, without banking offices.	

The proportion of the deposits to the capital varies as much almost as the size of the banks themselves. I prefer quoting Mr. Gilbart's well-considered observations on this part of the question, to giving any opinion of my own:—

"It is difficult to state in all cases what proportion a capital "ought to bear to the liabilities of a bank. Perhaps the best "criterion we can have is the rate of dividend, provided that dividend "be paid out of the business profits of the company. When we "hear of a bank paying from 15 to 20 per cent. dividend, we may "be assured that the capital is too small for the business. The "liabilities of the bank, either in notes or deposits, must far exceed "the amount of its capital."

"Although the proportion which the capital of a bank should "bear to its liabilites may vary with different banks, perhaps we "should not go far astray in saying it should never be less than one-"third of its liabilities.* I would exclude, however, from this com-

* The proportion in Scotland is now about one-sixth; but in England, or at least in London, the capitals of the joint stock banks bear a much smaller proportion to their liabilities.

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" parison all liabilities except those arising from notes and deposits. " If the notes and deposits together amount to more than three " times the amount of the paid-up capital, the bank should call up " more capital."—" Gilbart's Treatise on Banking," pp. 153 and 154.

Modern practice has not in all instances adhered to the principles of prudence laid down by Mr. Gilbart.

III.—*Statement of Banking in Scotland.*

The great assistance rendered by the Banking System of Scotland in developing the prosperity of that country is well known. The stability of that system has been greatly promoted by the following provisions of the law :—

" 1. There is no limitation to the *number* of partners.

" 2. The *private fortune* of every partner is answerable for the " debts of the bank.

" 3. *Land*, as well as other property, *may be attached* for debt.

" 4. In Scotland, *all land is registered;* so it is easy for any " individual, by referring to the records, to ascertain what landed " property is possessed by the partners of the bank, and also " whether or not it be mortgaged. The following is the language " of the Report of the Committee of the House of Commons, " appointed in 1826 to consider the expediency of abolishing all " notes under 5*l.* :—

" There is no limitation upon the number of partners of which a " banking company may consist; and, excepting in the case of the " Bank of Scotland, and the two chartered banks, which have very " considerable capitals, the partners of all banking companies are " bound jointly and severally, so that each partner is liable to the " whole extent of his fortune for the whole debts of the company.

" A creditor in Scotland is empowered to attach the real and " portable, as well as the personal estate of his debtor, for payment " of personal debts, among which may be classed debts due by bills " and promissory notes; and recourse may be had for the procuring " payment to each description of property at the same time. Exe- " cution is not confined to the real property of a debtor merely " during his life, but proceeds with equal effect upon that property " after his decease.

" The law relating to the establishment of records gives ready " means of procuring information with respect to the real and " heritable estate of which any person in Scotland may be possessed. " No purchase of an estate in that country is secure until the seisine " (that is, the instrument certifying that actual delivery has been " given) is put on record; nor is any mortgage effectual until the " deed is in like manner recorded.

" In the case of conflicting pecuniary claims upon real property,

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" the preference is not regulated by the date of the transaction, but " by the date of its record. These records are accessible to all " persons ; and thus the public can with ease ascertain the effective " means which a banking company possesses of discharging its " obligations, and the partners in that company are enabled to " determine with tolerable accuracy the degree of risk and respon- " sibility to which the private property of each is exposed.

" There are other provisions of the law of Scotland which it is " not necessary minutely to detail, the general tendency of which is " the same with those above mentioned."*

I have referred to these points, because in some of them there is a difference between the practice in England and in Scotland.

The Scotch Banks are few in number, but with numerous branches, ramifying down to very small places. Great facilities are thus afforded to the public, even in the most remote districts.

There were stated to be, in the " Banker's Almanack" for 1873—

1	bank with	18	branches.
1	„	33	„
1	„	39	„
1	„	61	„
1	„	75	„
1	„	75	„
1	„	83	„
1	„	93	„
1	„	94	„
1	„	112	„
1	„	118	„
11	„	801	„

The corresponding number was given in 1872 as—

11 banks with ..... 779 branches.

So considerable was the extension of banking in Scotland in that one year.

From the small number of head offices, and the fact that most of these are situated in Edinburgh, it has been easy for the banks to form arrangements among themselves for the regulation of their business. A bank of doubtful solvency would find it difficult to carry on its operations among them.

Hence a check can be given to undue speculation if it arises, and the abuses connected with rediscount by means of fictitious bills effectually prevented. And a uniformity of practice in the conduct of the business has been obtained throughout the whole of Scotland. Hence also the existing banks have always at their command a number of well-trained and long-tried officers, accustomed to a sound and carefully arranged method of business, who

* " Gilbart's Practical Treatise on Banking," pp. 503 and 504.

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may be depended on to carry out the instructions of the principal managers of the bank at the most distant stations. Those who have any practical experience, and who therefore understand how much the good success of a banking business depends on the conduct of its officers, will know how to appreciate the value of the advantage but imperfectly described in these few words.

The banks are, without exception, banks of issue. The advantage thus obtained enables them to conduct their business more economically, to the benefit both of their customers and of their shareholders.

The banks have almost without exception large capitals. On these they scarcely pay high dividends, according to the English standard. The dividends on the stock in banks of Scotland range from 8 to 14½ per cent. The eleven banks in 1872 distributed to their proprietors as dividends 1,099,000*l.* To ascertain how far this came from profits of banking, it is necessary to deduct the interest on paid-up capital, and other funds belonging to the banks. These, as shown by their published balance sheets, amounted to 12,497,000*l.*, and if the interest be taken at 5 per cent., as is usual in commercial business, the amount to be thus deducted is 624,000*l.*, leaving 475,000*l.* to represent the net profits derived by the banks from being the custodiers of 82,500,000*l.* belonging to the public, *or at the rate of eleven shillings and sixpence per cent. per annum on that amount.* It may be added that this is the largest aggregate amount of dividend ever distributed by the Scotch banks.* Altogether a sobriety in the conduct of the business has been encouraged, to the great and abiding advantage of the country. The business carried on by any weak bank has been quickly absorbed, and transferred to more powerful institutions. A system affording a very high degree of security to the public, and capable of adapting itself to the changing circumstances of the country, has thus been gradually established.

The process of transformation has gone steadily on for many years past. In 1819, there were in Scotland thirty-six district banking companies, and in 1844 no fewer than twenty-eight of these had disappeared. Within that period sixteen new banks were established, so that when the Bank Acts came into force there were twenty-four banks in active operation. These Acts prohibited the formation of new banks of issue, and thus a virtual monopoly was conferred on the twenty-four existing banks; but notwithstanding the advantage thus presumably arising, the number continued to dwindle, till now it is reduced to eleven. The particulars, which are curious, are as follows:—*

* From a Pamphlet on "The Rate of Discount and the Bank Acts." Glasgow, 1873.

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Banks in Scotland in 1819.

Bank of Scotland	*Sir W. Forbes and Company	British Linen Company
Commercial Banking Company	*R. Allan and Son	*Ramsays, Bonar, and Company
*Thos. Kinnear and Sons	*John Waldrop and Company	*D. Smith and Company
*A. Allan and Company	*Aberdeen Commercial Bank	*Jas. Inglis and Company
Aberdeen Bank	*Dunbar Bank	*Ayr Bank
*Berwick Bank	Dundee Union Bank	Dundee Banking Company
*Dundee New Bank	*Galloway Bank	*Falkirk Bank
*Fifeshire Bank	*Glasgow Ship Bank	*Greenock Bank
*Glasgow Bank	*Leith Bank	*Glasgow Thistle Bank
*Kilmarnock Bank	*Paisley Union Bank	*Montrose Bank
*Paisley Bank	*Renfrewshire Bank	Perth Bank
*Perth Union Bank		*Stirling Bank
Royal Bank of Scotland		

Total	36
*Disappeared by 1844	28
Remain	8
New before 1844	16
Existing in 1844	24

Banks in Scotland in 1844.

§Bank of Scotland	†§National Bank of Scotland	†§Union Bank of Scotland
§Commercial Bank of Scotland	†Eastern Bank of Scotland	†Western Bank of Scotland
†Edinburgh and Leith Bank	Aberdeen Bank	†§Aberdeen Town and County Bank
†§Clydesdale Banking Company	†Ayrshire Banking Company	†§Caledonian Bank
†Arbroath Bank	†§City of Glasgow Bank	Dundee Banking Company
†Central Bank	Dundee Union Bank	†Glasgow Joint Stock Banking Company
†Greenock Union Bank	†§North of Scotland Bank	†Paisley Commercial Bank
Perth Banking Company	§British Linen Company	
§Royal Bank of Scotland		

† Established in or subsequent to 1819.
§ Existing in 1873—11 in number.

A special point in the banking arrangements deserves notice.

The system of making advances on "cash credits," that is, on the personal security of two bondsmen, as practised in Scotland, tends to encourage the natural thriftiness of the people.

The young man starting in life with but small capital, knows that he can only obtain the needful assistance to carry his business on through the help of a banker. This assistance will not be granted except through the mediation of his sureties, and unless his character stands well for industry and dependability, he is not likely to find friends willing to risk their property in backing him. Besides this, the sureties are entitled to inspect the state of the account which they guarantee, and to ascertain for themselves whether it is con-

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ducted in a satisfactory manner. Bankers are bound by the first principles of their business not to disclose the state of a customer's account to an unauthorised person. The sureties are, however, entitled, for their own security and protection, to this information, as regards the accounts which they guarantee. It is easy to see how advantageous to the prosperity of a country it must be, that the young traders should be thus taught that without a reputation for honesty they will be seriously hampered in their first starting in life. Meanwhile the banks, from being few in number, with their head offices principally in one place, possess great facilities for ascertaining whether the guarantors have given their names as sureties for larger sums, or to more persons than their means would justify, and in other respects stand to a very great advantage for ascertaining whether the business of the country generally, is in a healthy condition or not.

The large number of branches must, however, be a cause of great expense, and in several other respects it is obvious that a business carried on in such thinly peopled districts as are found in many parts of Scotland, must be conducted to a disadvantage in comparison with those banks which deal with more active centres of commerce. Although the profit derived from their large issues of notes may be considerable, yet, when we consider the many expenses incurred in conducting a large note circulation, the cost of printing, stamp duty, and the charges on importing gold from London when the circulation exceeds the limit fixed by the Act of 1845, no small deductions must be made from the apparent profit to be derived from this head.

On the other hand, the great number of branches possessed by the Scotch banks tends beyond doubt to their stability and prosperity. It is hardly likely that the whole of a large country, with an energetic population, carrying on different industries in different districts, will suffer from want of prosperity over its entire extent at the same time. If one portion is depressed it is likely that another will be prosperous. Hence a deficiency of deposits in one district will probably be compensated by an increase in another. Hence also in ordinary times the deposits which cannot be profitably employed in one portion of the country occupied by the branches of a large bank, will be eagerly sought for by the customers in another town served by the same system. Some districts too poor to support banks of their own, may yet form very desirable fields for the employment of the capital which cannot find occupation in another county. The network of banks on the surface of Scotland is as important to the development of the prosperity of the country as the network of the railways. It has caused a great economy of capital, as the universal practice of people, even of the most moderate means, is to lodge their money with the banks.

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The history of the growth and expansion of Scotch banking during the present century, as far as I can trace it, is as follows:—

TABLE 4.—*Growth of Scotch Banking during the Present Century.*

Date.	Deposits (Millions).	Number of Offices.	Inhabitants.
1826*	21	167 = 1 to every	13,170
'41†	27	380 = 1 „	6,600
'47‡	30	—	—
'51§	36	—	—
'56‖	63 and capital	585 = 1 „	5,230
'72.....	92 including all liabilities and capital	790 = 1 „	4,250

* In Tooke's "History of Prices," vol. iv, p. 237.

† Estimate given by Mr. Blair in evidence before the Committee on "Banks of Issue," quoted by Mr. Gilbart, Statistical Society's *Journal*, 1856, p. 146.

‡ "Economist," 8th May 1847.

§ Mr. Newmarch, Statistical Society's *Journal*, 1851, p. 169.

‖ Letter of Mr. Blair, of the Bank of Scotland, to Sir G. C. Lewis, "Appendix, "Select Committee on the Bank Acts," p. 328. As the increase given since 1847 may seem disproportionate, it may be as well to quote the statement of Mr. Mackenzie, manager of the Commercial Bank of Scotland in 1856, "that "there never was a period in which Scotland has made such rapid progress in "improvement and material prosperity as during the twelve years since 1844." —"Appendix, Select Committee on the Bank Acts," 1857, p. 330.

There were bank offices in Scotland in 1872, in 283 places, besides a few small ones which could not be satisfactorily identified. The population is shown in the following table:—

TABLE 5.—*Population of Places in Scotland, according to Census of* 1871, *in which there were Bank Offices in* 1872.

	Inhabitants (according to Census of 1871).
In 61 places with less than....	1,000
„ 70 places between	1,000 and 2,000
„ 35 „	2,000 „ 3,000
„ 33 „	3,000 „ 4,000
„ 19 „	4,000 „ 5,000
„ 10 „	5,000 „ 6,000
„ 9 „	6,000 „ 7,000
„ 7 „	7,000 „ 8,000
„ 8 „	8,000 „ 9,000
„ 5 „	9,000 „ 10,000
„ 1 „	10,000 „ 11,000
„ 4 „	11,000 „ 12,000
„ 1 „	12,000 „ 13,000
In 1 place between	13,000 and 14,000
„ 4 „	14,000 „ 15,000
„ 3 „	15,000 „ 16,000
„ 1 „	17,000 „ 18,000
„ 2 „	19,000 „ 20,000
„ 1 „	22,000 „ 23,000
„ 1 „	25,000 „ 26,000
„ 2 „	40,000 „ 50,000
„ 1 „	50,000 „ 60,000
„ 1 „	80,000 „ 90,000
„ 1 place of.....	118,000 (*a*)
„ 1 „	196,000 (*b*)
„ 1 „	477,000 (*c*)

In 283 places in all.

		Inhabitants.
In Dundee (*a*) there were in 1872....	13 offices = 1 to every	9,700
„ Edinburgh (*b*) „	35 „ = 1 „	5,600
„ Glasgow (*c*) „	70 „ = 1 „	6,800

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It will be observed that more than half these places have less than 3,000 inhabitants. This contrasts curiously with the state of matters in England, and enables us to understand how completely the benefits of a good system of banking extends to the most remote villages of Scotland. This superiority of arrangement has existed for a very long while. I find the following remark in the "Circular "to Bankers," 11th October, 1833:—"In London there is not "more than one bank to every 30,000 people. In Edinburgh there "is a bank for every 9,000, and within three miles from the centre "of Edinburgh, that is to say, at Leith, there are other banks "carrying on extensive business."

The influence of the Act of 1845, under which the note circulation is regulated, has been different in Scotland from England. It may have had some effect, from limiting the privilege of issue to the banks then existing, in preventing the formation of new banks, and hence in repressing any excessive competition among the banks themselves, which might have led them to encourage wild and hazardous speculations. But the very small margin of profit made by the existing banks renders it scarcely probable that any new bank could, at the present time, commence a business in Scotland with any considerable prospect of success. The fact that no new banks have been started since 1844, is probably due to this cause rather than to any other. It is of course possible that in some period of speculative activity new banking companies may be formed in Scotland, but considering how completely the existing system covers the ground there appears scarcely room for any new competitor. Experience both in England and in Ireland, in which latter country the position of banking is very similar to that of Scotland, shows that the possession of the power of issuing notes cannot be considered essential to the success of a bank.

I annex a table giving a statement of the position of the Scotch banks at the most recent date I could obtain. According to information with which Mr. Gairdner, of the Union Bank of Scotland, Glasgow, has kindly supplied me, the deposits increased in the course of 1872 to an amount of about two millions and a-half more than the sums stated in the table. Scotland is the only part of the United Kingdom for which a complete banking balance sheet can be given. It is much to be desired that all the accounts published by banks should be made out on a uniform plan. Those of Scotland, though not absolutely uniform, contrast very favourably in this respect with the majority of those published in England. It will be observed that the capitals belonging to the banks, as well as the amounts of cash reserves and Government securities, bear a very high proportion to the liabilities.

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TABLE 6.—*Position of Banks in Scotland.* LIABILITIES. *Cols.* 1 *and* 2 *give the Capitals and Reserve Funds of the Scotch Banks; the Aggregate of these will be found in Col.* 3, *to which may be added Undivided Profits, Col.* 9. *Cols.* 4, 5, 6, *and* 7 *give the Liabilities of the Banks to the Public: the Aggregate of these will be found in Col.* 8.

[000's omitted, thus £1,000, = £1,000,000.]

Banks.	1 Paid-up Capital.	2 Reserve Fund.	3 Total of Columns 1 and 2.	4 Note Circulation.	5 Drafts at Short Dates.	6 Acceptances.	7 Deposits	8 Total of Columns 4, 5, 6, and 7.	9 Undivided Profits.	10 General Total.
	£	£	£	£	£	£	£	£	£	£
1. Bank of Scotland, 29th February, 1872	1,000,	300,	1,300,	697,	149,	1,532,	8,584,	10,962,	84,	12,346,
2. Royal, 22nd September, 1871	2,000,	400,	2,400,	742,	266,	256,	8,659,	9,923,	128,	12,451,
3. British Linen Company, 15th April, 1872	1,000,	349,	1,349,	518,	249,	296,	7,452,	8,515,	89,	9,953,
4. Commercial, 31st October, 1871	1,000,	370,	1,370,	754,	—	439,	7,992,	9,185,	85,	10,640,
5. National, 1st November, 1871	1,000,	335,	1,335,	672,	—	1,036,	8,905,	10,614,	171,	12,120,
6. Union, 2nd April, 1872	1,000,	307,	1,307,	884,	115,	*401,	8,532,	9,933,	150,	11,389,
7. Clydesdale Banking Company, 31st December, 1871	900,	290,	1,190,	506,	†250,	254,	5,671,	6,681,	130,	8,002,
8. City of Glasgow, 5th June, 1872	870,	270,	1,140,	‡681,	118,	780,	6,613,	8,193,	119,	9,452,
9. Caledonian Banking Company, 29th June, 1872	125,	54,	179,	92,	—	—	892,	984,	28,	1,190,
10. North of Scotland Banking Company, 30th September, 1871	320,	55,	375,	316,	—	—	1,981,	2,296,	23,	2,695,
11. Aberdeen Town and County Banking Company, 31st January, 1872	182,	27,	209,	175,	—	—	1,548,	1,723,	23,	1,956,
	9,397,	2,757,	12,154,	6,038,	1,148,	4,996,	66,828,	79,010,	1,030,	92,194,

* Including balances due to banking correspondents.
† ,, letters of credit *in transitu* and balances due to bank correspondents.
‡ ,, circulation in the Isle of Man.

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TABLE 6.—*Position of Banks in Scotland—Contd.* ASSETS. *Cols.* 1, 2, *and* 3 *give the Cash Reserves of the Scotch Banks; the Aggregate of these will be found in Col.* 8.

[000's omitted, thus £509, = £509,000.]

Banks.	1 Gold and Silver Coin, and Notes of other Banks.	2 Government Securities, Cash with London Bankers, and Short Loans in London, &c.	3 Indian Government and other Stocks and Investments.	4 Liabilities of Customers for Acceptances.	5 Bank Premises.	6 Bills Discounted and other Advances.	7 Advanced on Credit and Cash Accounts.	8 Total of Columns 1, 2, and 3.	9 General Total.
	£	£	£	£	£	£	£	£	£
1. Bank of Scotland	509,	2,879,	174,	1,532,	194,	7,057,	—	3,563,	12,346,
2. Royal Bank of Scotland	863,	2,063,	778,	—	133,	8,615,	—	3,703,	12,451,
3. British Linen Company	346,	*1,912,	445,	—	124,	4,813,	2,313,	2,703,	9,953,
4. Commercial Bank of Scotland	694,	1,780,	651,	—	130,	7,385,	—	3,125,	10,640,
5. National Bank of Scotland	694,	2,922,	575,	—	129,	7,800,	—	4,191,	12,120,
6. Union Bank of Scotland	739,	1,876,	417,	—	160,	8,198,	—	3,032,	11,389,
7. Clydesdale Banking Company	†808,	1,384,	—	—	141,	4,405,	1,263,	2,193,	8,002,
8. City of Glasgow	955,	1,658,	—	—	‡215,	6,624,	—	2,613,	9,452,
9. Caledonian Banking Company	§127,	292,	—	—	25,	747,	—	419,	1,190,
10. North of Scotland Banking Company	‖304,	463,	55,	—	24,	1,848,	—	822,	2,695,
11. Aberdeen Town and County Banking Company	‖202,	376,	—	—	37,	1,341,	—	578,	1,956,
	6,241,	17,605,	3,095,	1,532,	1,312,	58,833,	3,576,	26,940,	92,194,

* Including Bank of England stock.
† „ cash balances with London and country bankers.
‡ „ advances on heritable property.
§ „ balances due by banking correspondents.
‖ „ balances due by other banks.

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The clauses in the Act of 1845 requiring gold and silver to be held against any notes in circulation in excess of the limit then fixed cannot be considered as desirable now. No provision was made in that Act for the growing wants of a population, extending surely though slowly in number and wealth. No provision was made in it either, for additional requirements which any extended rise in the prices of commodities would surely demand. Since 1845 all these disturbing influences have been at work. Surely though slowly the note circulation has extended itself (see Table 15), though trammelled in such a manner that the extension is now no advantage either to the customers of the banks, or to the banks themselves, or in fact to any one. When the vast deposits of the Scotch banks are taken into consideration, as well as the small proportion which the note circulation bears to those far larger liabilities; when it is also borne in mind that the gold and silver required to be held by the Scotch banks against the excess of their circulation is not specially appropriated for the maintenance of the circulation at all: I mean that, in the very improbable case of any Scotch bank stopping payment, no holder of a note could claim to receive the value of it out of the specie held; that in point of fact no greater certainty of the convertability of the note is gained, while the disadvantage to the Scotch banks and to their customers, and, far more, to the British public generally, is patent and obvious, it is impossible to resist a conviction that some modification of the stringency of the Act on this point is desirable. This might be effected by an extension of the time over which the average of the circulation is taken, so as to allow the periodic increase in it to subside before the average is struck,* or by enacting that the holding exchequer bills for the amount of the excess should be considered sufficient security, or that balances in the Bank of England should be regarded as a part of the basis on which the circulation is issued. In Sweden, as will be found mentioned in section 26 of the Swedish *Banking Law*, the balances of the banks in the Riksbank are included with the cash in hand, and other securities, for the purpose of a basis for the note circulation. A similar provision in this case would meet the difficulty without giving the Scotch banks the expense of bringing sovereigns to Edinburgh, and also would tend to modify the sharp rises in the rate of discount in London, which seem certainly attributable at times to the Scotch demand for gold arising from this cause, taken in conjunction with that for Ireland. In the years 1845-72 inclusive, the issues of the Scotch banks have averaged more than a million annually, and in the last three years considerably more than

* This plan was suggested by the Royal Bank of Scotland in 1856. See "Appendix to Report from the Select Committee on the Bank Acts, 1857," p. 330.

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two millions, over their limits. The prudence with which their business has been conducted might have induced them to hold an extra stock of specie in proportion to the extension of their paper, had the Act of 1845 not existed. It is however the stringency of the requirements of the Act in this respect which has influenced the periodic drains of specie from London, so ably commented on by Professor Jevons in vol. xxix of the Society's *Journal*.

IV.—*Comparison of Statistics of Bankruptcy in England and Scotland.*

It does not seem improbable, considering the very respectable dividends paid by the Scotch banks on their large capitals, that they may in ordinary years make fewer losses by bad debts than the English banks. The amounts lost under this head will never be known till our bankers are directed to make some return similar to that made in Sweden of the amounts outstanding in their books due from customers who have suspended payment or failed,* but without dependable statistics it is impossible to do more than make a conjecture.

I am able, however, to give a comparative statement which, though it may not be sufficient to enable us to arrive at an exact conclusion, nevertheless shows that the subject deserves thorough attention. In 1867 Mr. William John Bovill read before this Society a very careful paper on the statistics of civil procedure in English courts of law. Though that paper is so recent, and is probably in the hands of most, if not all, of the present Fellows of this Society, I shall make an extract from it here, in order that we may have the advantage of comparing it with a statement with which Mr. George Auldjo Esson, Accountant of Bankruptcy in Scotland, has been so good as to supply me.

Particulars respecting Proceedings in the Court of Bankruptcy in England.

"The proceedings in the Court of Bankruptcy possess paramount general interest, as a direct index of the prosperous or adverse circumstances of the community; but they also possess a peculiar interest, which attaches to a tribunal constituted, not for the determination of rights between litigating parties (though these are dealt with when they accidentally arise), but primarily and almost exclusively for the collection of the assets of bankrupts, and division of them among their creditors; and it is an interesting and important question, how far these objects are attained.

* See Quarterly Statement of Swedish "Enskilda" Banks, Table 20, column 25.

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"The number of adjudications for the year 1865 were—

On petition of a creditor	769
„ the debtor	5,937
By registrars at the prisons	1,091
On petitions in *formâ pauperis*	500
„ judgment-debtor summons	8
	8,305

"The total number shows an increase of 981, or 13·3 per cent., "as compared with the total for 1864, but is less by 165 than the "number in 1863: the increase in 1865 above the number in the "preceding year extends to each form of procedure, except judgment-"debtor summonses. In the number of adjudications on petition of "a creditor, it amounts to 174, or 29·2 per cent.; on petition of the "debtor, to 677, or 12·8 per cent.; in the number by registrars at "the prisons, to 187, or 20·6 per cent.; in the number on petitions "in *formâ pauperis*, to 44, or 9·6 per cent. In 1864 there were nine "adjudications on judgment-debtor summonses. It extends also to "each of the courts, amounting for the London court to 742, or "32·1 per cent.; for the county district courts, to 155, or 10 per "cent.; and for the county courts, to 184, or 5·4 per cent.

"One cannot but be struck at the large proportion, 5,975, or "nearly two-thirds of the whole of those adjudications, being at the "instance of the debtors themselves, a circumstance tending "strongly to the conclusion, which appears to be borne out by the "other returns in relation to the subject, that far too easy an oppor-"tunity of escape from obligations is afforded by fraudulent and "collusive resort to the court of bankruptcy.

"The number of adjudications in 1865 in which—

The debts of the bankrupt exceeded 300*l.*, was	3,733
Where they did not exceed 300*l.*	4,572

"the former being 44·9 per cent., the latter 55·1 per cent., of the "whole.

"The total amount of the debts due from the estates of the "bankrupts does not appear in the return. This would have been "an item of interest for comparison with the following table of the "total amount of the *gross* produce realised from the estates of "bankrupts in the year 1865:—

	£
Amount realised by creditors' assignees	524,487
„ official „	332,468
Total	856,955

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"And with the number of cases in which a dividend was made, "and in which there was no dividend, which are as follows:—

Number of cases in which a dividend was made.....	1,639
In which there was no dividend	5,727

"The cases in which there was no dividend being 72 per cent., "or nearly two-thirds of the whole. And with the following table, "showing the rates in the pound at which dividends were made, "and of the proportion per cent. of the number at each rate to the "whole:—

Cases in which the Dividend was	Number.	Rate per Cent. to the Whole.
Under 2*s.* 6*d.* in the £	861	52·5
2*s.* 6*d.* and under 5*s.*	381	23·3
5*s.* –*d.* „ 7*s.* 6*d.*	200	12·2
7*s.* 6*d.* „ 10*s.*	85	5·2
10*s.* –*d.* „ 15*s.*	62	3·8
15*s.* –*d.* „ 20*s.*	15	0·9
20*s.*	35	2·1

"Showing that in 1,442 cases, or nearly nine-tenths of the whole, "the dividends were under 7*s.* 6*d.* in the pound.

"The number of discharges granted, suspended or refused, are "as under:—

Granted	6,076
Suspended	403
Refused	107

"The totals are, respectively, to the number of adjudications "made during the year, in the proportions of 73·2, 4·8, and 1·3 per "cent., 20·7 per cent. of the number of adjudications remaining. "In the preceding year the discharges granted, suspended, and "refused, were repectively in the proportions of 73·8, 4·3, and 0·1 "per cent. to the total number of adjudications; in 1862, 62·6, 5·41, "and 1·6—a further instance of the facility of escape from liability "afforded by the Court of Bankruptcy.

"Is it surprising that dissatisfaction exists in the mercantile "community at such results as these? It may well be expected "that under such circumstances resort should be had, at the instance "of creditors as well as debtors, to other modes of winding-up "insolvent estates; and accordingly we find that, in the year 1865, "the total number of trust-deeds registered under the provisions of "the Bankruptcy Act, 1861, was 5,204, being an increase of 1,600, "or 44 per cent., on the number of the preceding year. Of these, "2,733 were deeds of assignment, 2,344 deeds of composition, and "127 deeds of inspectorship. The great value of the estates and

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"effects affected by these deeds was 9,035,700*l*., showing an increase "of 5,233,700*l*., or 137 per cent. on the preceding year."*

It is instructive to compare this statement with the corresponding position of affairs in Scotland.

Particulars of Sequestrations in Scotland.

"Statement showing the manner in which the sequestrations "awarded during the eight years (from 1856 to 1864) have been "disposed of:—

"I. It appears that the—

Total number of sequestrations awarded during this period has been		4,038
"Whereof—		
Wound-up under composition contracts (between $\frac{1}{3}$rd and $\frac{1}{4}$th of the whole)	1,197	
Wound-up by division of the funds by the trustees (about $\frac{1}{4}$th of the whole)	1,021	
Wound-up under deeds of arrangement ($\frac{1}{50}$th of the whole)	70	
	2,288	
Number recalled, and cases in which the sequestrations have been closed without composition or division, there being no assets (about $\frac{1}{30}$th of the whole)	130	
		2,418
Remaining, depending processes, at 31st October, 1864 (more than $\frac{1}{3}$rd of the whole)		1,620

"II. This information, classified according to the different years, "shows the annual working of the system:—

	Number of Sequestrations Awarded.	Wound-up by Composition.	Wound-up by Division.	Wound-up by Deed of Arrangement.	Recalled or Closed without Division, no Assets.
First year of operation of new Act, 1856-57	432	97	2	5	2
Second year, '57-58	636	189	23	11	15
Third " '58-59	461	141	130	19	14
Fourth " '59-60	443	150	133	2	14
Fifth " '60-61	525	144	179	12	27
Sixth " '61-62	572	186	133	12	19
Seventh " '62-63	472	148	193	4	12
Eighth " '63-64	497	142	228	5	27
Total	4,038	1,197	1,021	70	130
Yearly average	505	150	127	9	16

* From Mr. W. J. Bovill's "Statistics of Civil Procedure in English Courts "of Law."—*Journal of the Statistical Society*, vol. xxx, p. 440.

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"*Note* (1). It will be observed from the above tables that the number of "sequestrations which have been wound-up under composition contracts during "the whole period from 1856 to 1864 exceeds the number wound-up by division of "the funds during the same period. In order, however, to ascertain the true pro- "portion which subsists between the number of sequestrations wound-up by these "two methods, it is necessary to leave out of the reckoning the statistics of some "of the earlier years, during which the composition cases obtain an undue prepon- "derance, owing to that form of settlement occurring usually at a much earlier "period in a sequestration than a winding-up by division can possibly take place. "In this view, the figures of the last four years may be taken as giving the truest "approximation to the fact, as to the relative numbers of sequestrations wound-up "by the different methods. The following is the result of taking the average of "these four years:—

Wound-up by composition (rather *less* than a third of the average yearly number of sequestrations)	155	
Wound-up by division of funds by the trustee (rather *more* than a third of the average yearly number of sequestrations)	183	
Wound-up by deeds of arrangement		8
Recalls and cases of no assets		21

"This result differs considerably from the yearly average obtained in Table II "above.

"(2). The number of discharges of bankrupts, without composition, granted "during this period, is 593."

"III. Results of the winding-up as regards the unsecured "creditors where the sequestrations were closed by composition "contracts, or where the assets were recovered and divided by the "trustees during the eight years from 1856 to 1864:—

"1. Winding-up by composition contracts:—

There were, as before, during the period, 1,197 sequestrations so wound-up	1,197	
In 48 of these the rate of the composition has not been returned	48	
Remains		1,149

"Of these, the debtors settled with the unsecured creditors—

For compositions of, and under 2*s.* per £, say			36⅞ per cent.	....	423
„ above 2*s.* and under 3*s.* 4*d.*	„		21⅜ „	....	245
„ „ 3*s.* 4*d.*	„	6*s.* 8*d.*	„ 24⅝ „	....	283
			82⅞ „	....	951
„ „ 6*s.* 8*d.*	„	10*s.* –*d.*	„ 10⅛ „	....	116
„ „ 10*s.* –*d.*	„	15*s.* –*d.*	„ 5⅞ „	....	69
„ „ 15*s.* –*d.*		—	„ 1⅛ „	....	13
			100	as above	1,149

"2. Wound-up by division of funds:—

"The number of sequestrations so wound-up during this period "have been 1,021.

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"The average period during which these 1,021 sequestrations "were in dependence was 1·877 years, or rather less than two "years.

"The unsecured creditors drew in dividends under these seques- "trations:—

Of and under 2*s.* per pound of their debts (say 34½ per cent.)				17	.....	350
Above 2*s.* –*d.* and under 3*s.* 4*d.*				26	.....	174
„ 3*s.* 4*d.*	„	6*s.* 8*d.*	„	26	.....	265
				77½		789
„ 6*s.* 8*d.*	„	10*s.* –*d.*	„	12½	.....	128
„ 10*s.* –*d.*	„	15*s.* –*d.*	„	6½	.....	63
„ 15*s.* –*d.*		—	„	4	.....	41
				100		1,021

"The average rate of dividend per pound paid to the unsecured "creditors during these years has been as follows:—

First year	1856-57 (only)	2 estates wound up,	average of	no value.	
Second „	'57-58 „	23	„	5*s.* 2½*d.*	per £.
Third „	'58-59 „	130	„	3*s.* 3½*d.*	„
Fourth „	'59-60 „	133	„	3*s.* 10*d.*	„
Fifth „	'60-61 „	179	„	4*s.* 1*d.*	„
Sixth „	'61-62 „	133	„	3*s.* 6*d.*	„
Seventh „	'62-63 „	193	„	4*s.* 7½*d.*	„
Eighth „	'63-64 „	228	„	3*s.* 10½*d.*	„
		1,021"*			

The number of bankruptcies in Scotland for subsequent years were as follows:—†

1868	606
'69	589
'70	555
'71	490

Comparing the 8,305 adjudications stated by Mr. Bovill to have taken place during the year 1865 with the population of England and Wales in 1861, there is one adjudication to every 2,400 inhabitants; if the 5,204 trust deeds are added, the proportion of adjudication and trust deeds combined is one to about every 1,500 inhabitants, while in Scotland the average of 505 sequestrations given by Mr. Esson is only one to about every 6,000 inhabitants. Without going further into detail than can be done in this place, it is not possible to make a complete analysis of the position of affairs in either country, with regard to these points. It is very desirable that official "Reports on Judicial Statistics" should be published by authority for England. The series for Scotland referred to above, is of very great value. Such records, when published for a considerable number of years consecutively, become of the highest service, by

* From "Notes of Scotch Bankruptcy Law Practice," by George Auldjo Esson, Esq., Accountant in Bankruptcy in Scotland, 1866, pp. 94 and 95.

† From Reports on "Judicial Statistics of Scotland."

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giving, in a clear and intelligible form, a statement of facts possessing a considerable influence on the social condition of the country. Enough, however, has been stated to show that the subject deserves the close attention of those interested in business pursuits. A low standard of commercial morality is a great evil in itself; a great hindrance also to the material prosperity of any country.

V.—*Statement of Banking in Ireland.*

The banking system of Ireland bears a very great resemblance to that of Scotland. As in that country, there is a very considerable circulation of small notes, which have been found to facilitate the progress of business very greatly. In 1826 an Act of Parliament was passed to abolish notes under 5*l.* after a certain time in England. When it was proposed to extend this Act to Scotland and Ireland, the objections made to the measure were so strong that the Government forebore to press it. In 1845 also similar opinions in favour of the existing paper currency were expressed: and though Sir R. Peel succeeded in fixing a limit to the circulation, yet he was prevailed on to permit an extension beyond that limit, under conditions very similar to those arranged for Scotland. The average amount of notes which had been in circulation during the year ending 1st May, 1845 (6,354,498*l.*) was to be the authorised issue. For any amount beyond its authorised issue, each bank was required to hold an equal sum in gold or silver coin, the silver not to exceed one-fourth of the whole. These arrangements remain in force to the present time. But they provide only a partial security.

The same objections apply to these provisions in the case of Ireland as in that of Scotland. Little advantage is gained from them by any person, while inconvenience and loss are inflicted on a good many. Scarcely any security is really provided for the holder of any Irish note by the additional stock of coin which may be held by any bank. It is impossible to distinguish the notes which are in excess of the fixed limit, and to say these notes were issued against gold, and therefore in case the bank which issued them stops payment, the holder may claim gold for them. In the most unlikely event of the stoppage of any of the existing Irish issuing banks, the gold and silver coin held by it would form part of its general assets, and the note-holder would undoubtedly possess no preference over the general creditor. Meanwhile the periodic export of gold to Ireland, intended to cover the note issue in excess of the authorised limit, presses frequently in conjunction with that for Scotland with great severity on the London market. As I have to recur to this subject when speaking of the note currency of the United Kingdom, I shall not dwell further on it here, except to mention that, besides the loss of interest on the gold lying idle in the vaults of the Irish banks, the whole expenses of carriage, insurance against sea risk, &c., are so much

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loss to the Irish banks, and are charges which have either in some sense or other to be defrayed by their customers, or are so much loss to their shareholders.

The arrangement of the existing Irish banks is very similar to those of Scotland; a few large banks with head offices, principally in Dublin, and branches ramifying over the provinces, carry on nearly the whole business of the country. There were in 1872 nine joint stock banks in Ireland:

9 banks with
305 branches, and
48 sub-branches, open on fair and market days.

362
3 private banks (all in Dublin)

* 365 in all; or 1 to every 14,800 inhabitants.

Mr. Newmarch gives the corresponding number in 1851 as 170. I have consulted Mr. Gilbart's writings, and have searched in other works of authority in which information was likely to be found, but I cannot trace any statement, either as to the number, or as to the amount of deposits held, in any intervening period. I add from Dr. W. Neilson Hancock's reports, tables of the aggregate amounts of the private deposits in the Bank of Ireland and the joint stock banks from 1840 to the year 1863, and of the deposits and cash balances from 1864 to the year 1871.

TABLE 7, *showing the Aggregate Amount of the Private Balances in the Bank of Ireland, and of the Deposits in the Belfast, Hibernian, National Northern, Provincial Royal, and Ulster Banks, at the end of each year, from* 1840 *to* 1871 :—

From "Reports of Deposits and Cash Balances in Joint Stock Banks in "Ireland," by Dr. W. Neilson Hancock, LL.D., 1870 and 1872, p. 5 in both Reports:

[000's omitted, thus £5,567 = £5,567,000.]

Date.	£	Date.	£	Date.	£
1840.....	5,567,	1851	8,263,	1861.....	15,005,
		'52	10,773,	'62.....	14,388,
1841.....	6,022,	'53	10,915,	'63.....	12,966,
'42.....	6,416,	'54	11,665,	'64†	15,623,
'43.....	6,965,	'55	12,285,	'65.....	18,619,
'44.....	7,601,				
'45.....	8,031,	1856	13,753,	1866.....	20,957,
		'57	13,113,	'67.....	21,794,
1846.....	8,442,	'58	15,131,	'68.....	22,163,
'47.....	6,493,	'59	16,042,	'69.....	22,672,
'48.....	7,071,	'60	15,609,		
'49.....	7,469,			1870.....	24,366,
'50.....	8,268,			'71.....	27,348,

† Deposits and cash balances in the above-named banks from 1864 to 1871, both inclusive.

* Deducting the 9 offices of the National Bank in London. The corresponding number in 1873 was 372.

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To these amounts must be added the share capital invested in the various banks. The particulars are as follows:—

TABLE 8.—*Capitals of Irish Joint Stock Banks.*

Name of Bank, and Year when Established.		Capital Paid-up.	Rate of Dividend per Annum last Declared.
		£	
Bank of Ireland	1783	2,769,230	11
*Hibernian Bank	1824	375,000	10
Provincial „	'25	540,000	20
Northern Banking Company	'25	300,000	18½
Belfast „	'27	250,000	36
National Bank	'35	1,500,000	8
Ulster Banking Company	'36	250,000	18
*Royal Bank	'36	300,000	12
*Munster Bank, Limited	'64	262,500	8

* Thus marked are not banks of issue.

—From "Thom's Irish Almanac and Official Directory" for 1872, p. 865.

The general aggregate is:—

	Millions.
Deposits (say)	27
Note circulation (say)	7·5
Total liabilities	34·5
Capital	6·5
	41·0

It is interesting to compare these statements with the note circulation during the earlier years included in these tables.

The note circulation was as follows:—

	£
1841	5,355,814
'42	5,114,457
'43	5,168,585
'44	5,936,913
'45	6,949,403
'46	7,259,948

"Gilbart's Works," vol. iv., 368.

The circulation for the remaining period to the present date will be found in Table 15. It is clear that the earlier history of banking in Ireland pursued very closely the same process of development as in England. Circulation preceded and fed deposits. The credit which the banks obtained by the ready acceptance of their notes brought customers to their counters, and thus the existing

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system, fortunate in excellent managers, was built up gradually and surely. The tables of the deposits exhibit a progress unequalled, as far as I know, in any country during a like period.

It is the very highest commendation that can be given to any system of banking when we can say of it, as we can of the Irish system, that it has remained intact and unchanged for so many years. Alone in the Three Kingdoms, Ireland maintains the same limit of authorised circulation as in 1845.

Dr. W. Neilson Hancock, to whom I am indebted for much of the information contained in this statement, remarks that the facility for depositing appears to have a very great influence on the amount of deposits. The correctness of this remark is obvious. It will be noticed that in Scotland, where the number of offices is greater in proportion to the population than in any other part of the United Kingdom, the amount of the deposits is also larger. This point should be borne in mind whenever the existing laws as to banking licences come under review and a rearrangement of the existing system made. A charge for a licence, though insignificant in itself, may be very large in proportion to the amount of business which can be done in a small place, and may cause it to be unprofitable to open a branch in a poor neighbourhood, where nevertheless a branch of a bank might do good service in promoting the energies and industry of the people. There is no doubt that, as Dr. Neilson Hancock states, the Irish joint-stock banks have largely contributed to the prosperity of the country.

"By their system of deposits these banks have collected the "hoarded wealth of the country, and made it available for purposes "of trade, and by their system of cash accounts and note circulation "they have developed facilities of discounting and a currency for "Ireland as perfect and convenient as exist in England; so that "Irish trade enjoys to the full all the banking and monetary "arrangements it requires, and can widen these as new necessities "spring up.

"The large and yearly increasing amount of deposits in Irish "banks proves that there is no lack of capital within the country "seeking investment. It argues thrift and a faculty to save among the "Irish people. The state of the circulation in 1872, showing an "average of 7,674,218*l.* higher than in any year since the regulation "of the issue in 1845, corroborates the satisfactory result indicated "by the deposits in the banks, and shows that whilst the progress of "wealth among the trading and farming classes has not been so rapid "as in some recent years, still that there has been progress."*

* "Reports on Deposits and Cash Balances in Joint Stock Banks in Ireland," By W. N. Hancock, LL.D., Dublin, 1870-73.

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VI.—*Inland Bills in Great Britain and Ireland.*

So large a portion of the resources of bankers is employed in discounting bills, that it becomes needful to give a statement of the probable amounts of bills circulating in the country.

In preparing an estimate of inland bills, I have in great measure followed the plan pursued by Mr. Newmarch when he analysed the circulation of bills of exchange in 1851. Since that date the stamp duties on bills have been rearranged.

The rates of stamp duty were as follows during the period over which this inquiry extends:—

Rates of Duty.	Inland Bills. s.	d.
Up to 5*l.*	–	1
5*l.* to 10*l.*	–	2
10*l.* „ 25*l.*	–	3
25*l.* „ 50*l.*	–	6
50*l.* „ 75*l.*	–	9
75*l.* „ 100*l.*	1	–
100*l.* „ 200*l.*	2	–
200*l.* „ 300*l.*	3	–
300*l.* „ 400*l.*	4	–
400*l.* „ 500*l.*	5	–
500*l.* „ 750*l.*	7	6
750*l.* „ 1,000*l.*	10	–
1,000*l.* „ 1,500*l.*	15	–
1,500*l.* „ 2,000*l.*	20	–
2,000*l.* „ 3,000*l.*	30	–
3,000*l.* „ 4,000*l.*	40	–
Upwards of 4,000*l.*	40	–

In order to ascertain the aggregate sum of money which the bills drawn on these stamps would amount to, I have tabulated 1,400 inland bills, amounting to 648,036*l.*, and representing, as far as possible, different classes of operations and different branches of business. Some of the materials from which this table was composed were collected under my own observation; for the remainder I am greatly indebted to the kind assistance of friends who entered the amounts of the bills, and the dates at which they were drawn, on forms ruled and headed for the purpose.

Although my researches in this direction have not been as great or as complete as Mr. Newmarch's were, yet, I think, that with the assistance which his investigations afforded, I have been able to

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arrive at results sufficiently close to justify me in laying them before you with confidence in their accuracy.

The general results are as follows :—

TABLE 9.—*General Summary of the Statement of Bills made for the purpose of this Inquiry.*

Stamps—Inland Bills.	Number of Bills.	Average Usance.	Total Amount of Bills of each Stamp.	Average Bill.
		Months.	£	£
1*d.*	—	—	—	—
2*d.*	39	2·8	342	8·7
3*d.*	315	3·2	5,343	16·9
6*d.*	241	3·2	8,453	35·0
Group I.—Bills to 50*l.*	595	2·8	14,138	23·8
9*d.*	87	3·4	5,236	60·2
1*s.*	67	3·5	5,850	87·3
2*s.*	92	3·5	13,457	146·2
3*s.*	71	3·5	20,698	291·5
Group II.—Bills from 50*l.* to 300*l.*	317	3·5	45,241	142·7
4*s.*	63	3·1	22,295	353·9
5*s.*	59	3·3	28,234	478·5
7*s.* 6*d.*	15	3·5	8,496	566·4
10*s.*	11	4·0	7,150	650·0
15*s.*	153	4·3	140,446	918·0
1*l.*	134	4·1	200,749	1,498·1
1*l.* 10*s.*	29	4·1	76,038	2,622·0
2*l.*	8	5·6	29,386	3,673·2
Upwards of 2*l.*	16	4·1	75,863	4,741·4
Group III.—Bills above 300*l.*	488	4·0	588,657	1,206·3
Total number of bills examined	1,400	—	—	—
Total amount	—	—	648,036	—

Mr. Newmarch divided the total amount into three groups, viz. :—

I. Bills up to 30*l.*
II. Bills from 30*l.* to 300*l.*
III. All Bills above 300*l.*

The range of stamps now in use does not permit an exactly similar comparison to be made, as far as the smaller bills in Group I

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are concerned. To bring my statement as close as the circumstances permitted, I have divided the groups in the following manner:—

Group I, consists of small bills, the utmost limit of which is 50*l.*, the average amount 23·8*l.*, with an usance of 2·8 months.

Group II, includes bills of a medium size, ranging from above 50*l.* to 300*l.*, the largest sum. The average amount is 142·7*l.*, with an usance of 3·5 months.

Group III, contains all bills above 300*l.* The average usance of these bills is 4 months. The average amount 1,206·3*l.*

In dividing the amount of the bill currency into these different groups, I have been actuated by a desire to observe if it is possible to trace the influence of the principal commercial events of the last few years on the trade of the country. The reasons given by Mr. Newmarch for dividing the bills thus, explain what is sought so completely, that I quote his remarks here.

"Now the chief object of this classification is to obtain, if "possible, some insight into the different causes which influence the "extent and fluctuations of different portions of the bill currency; "for it is very important to bear in mind that there is a most "marked distinction to be drawn between several classes of bills; "and that these lines of separation have reference chiefly to the "magnitude of the bills themselves.

"If I have succeeded in the arrangement of these groups, I have "included in—

"(1). Group III, the bills which are drawn for considerable "sums, between merchants, producers and manufacturers, and "wholesale dealers; and between importers and large consumers of "raw material; or, speaking generally, between merchants and "dealers.

"(2). Group II, in like manner is intended to contain the class "of bills drawn between houses of less extent of business, and "wielding a less powerful capital, and also between large wholesale "houses and the better class of retail dealers; in general terms, "between dealers and retailers.

"(3). Group I, is meant to include the small bills which belong "essentially to retail trade, and may be described with considerable "propriety as drawn between 'retailers and consumers;' or where "the acceptor does not happen to be the actual consumer, still, "carrying on a business of so limited an extent, that he is only one "step above the class who do literally consume on the supply of "their own personal wants the commodities they purchase.

"The general result, therefore, is this—that by the introduction

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"of this arrangement into groups, we have before us, with more or "less of completeness, the three great compartments into which the "trade of the country may be distinguished with considerable "propriety, namely:—

"In Group III, we have the trade carried on by what are "called 'first hands,' that is to say, importing merchants, extensive "manufacturers, and the largest class of dealers.

"In Group II, we have the trade carried on by what may be "called 'second hands,' that is, by houses who supply themselves "in a great measure from the importers and manufacturers, and, to "a considerable extent, come in contact with the actual consumers.

"This group also includes 'first hand' merchants, and manu-"facturers of comparatively limited capital and connections.

"In Group I, we have the retail trade of the country, such as "shopkeepers, small farmers, dealers in cattle, and so on."—*Journal of the Statistical Society*, vol. xiv, p. 152.

I have given in Table 9 a general summary of the investigation by which the average amount and usance of each bill in these groups was ascertained. I now proceed, in Table 10, to give an estimate, based on the number and amount of bill stamps issued, and formed in accordance with the average amount and usance of each bill, as shown to exist by actual investigation, of the total amount of inland bills created, and of the average amount in circulation for the years from 1856-57 to 1870-71. Cols. 1 and 2 give the estimated amount of bills, cols. 3 and 4 the estimated circulation.

I have added the range of rate and average rate of discount charged by the Bank of England in each year to this table. It will be observed that the amount of bills in circulation is greater in the years when the rates mark a pressure in the money market, than in the years when money was easier. We thus see that high rates of interest cause no contraction in this part of the circulation, which, on the contrary, increases when high rates prevail. This is in acccordance with the results observed by Mr. Newmarch, and recorded by him in the sixth volume of "Tooke and Newmarch on the History of Prices."

I have thought it desirable to notice this point here, and that the results I have shown to exist coincide with the experience of other observers, as an impression exists among some persons that bills increase when the rate of discount is low, and decrease when the rate of discount is high. The facts, it will be noticed, are the reverse of this theory.

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TABLE 10.—*Inland Bill Circulation, Great Britain and Ireland, from 30th June to 31st March in each Quarter of the Year, for the Years* 1856-57 *to* 1870-71 *inclusive.*

[000's omitted from this table in Cols. 1, 2, 3, and 4,—thus £138,400, (Col. 4) = £138,400,000.]

Years.	1 Estimated Amount of Bills.	2 Total.	3 Estimated Amount of Circulation of Bills.	4 Total Circulation of Bills.	Years.	Bank of England. Range of Rate.		Average Rate.
	£	£	£	£		Per cnt.	Per an.	
1856-57	—	498,520,	—	138,400,	1856	4½	7	5¾
'57-58	—	507,360,	—	141,000,	'57	5½	10	6¾
'58-59	—	445,760,	—	123,900,	'58	6	2½	3½
'59-60	—	487,340,	—	135,200,	'59	4½	2½	2¾
'60-61	—	537,200,	—	149,100,	'60	3	6	4½
'61-62	—	533,900,	—	148,400,	'61	8	3	5½
'62-63	—	538,440,	—	149,300,	'62	3	2	2½
'63-64	—	598,080,	—	166,200,	'63	3	8	4½
1864-65.								
Group I, up to 50*l.*	71,756,	—	16,690,					
„ II, 50*l.* to 300*l.*	171,024,	—	50,300,					
„ III, 300*l.* and upwards	433,694,	676,474,	144,600,	211,590,	1864	9	6	7½
1865-66.								
Group I, up to 50*l.*	72,398,	—	16,830,					
„ II, 50*l.* to 300*l.*	174,789,	—	51,410,					
„ III, 300*l.* and upwards	428,090,	675,277,	142,700,	210,940,	1865	3	7	4¾
1866-67.								
Group I, up to 50*l.*	74,028,	—	17,280,					
„ II, 50*l.* to 300*l.*	180,036,	—	53,000,					
„ III, 300*l.* and upwards	416,357,	670,421,	138,800,	209,080,	1866	10	3½	7
1867-68.								
Group I, up to 50*l.*	76,497,	—	17,780,					
„ II, 50*l.* to 300*l.*	177,219,	—	52,100,					
„ III, 300*l.* and upwards	359,145,	612,861,	119,700,	189,580,	1867	3	2	2½
1868-69.								
Group I, up to 50*l.*	76,328,	—	17,740,					
„ II, 50*l.* to 300*l.*	176,976,	—	52,000,					
„ III, 300*l.* and upwards	348,984,	602,288,	116,400,	186,140,	1868	2½	3	2
1869-70.								
Group I, up to 50*l.*	78,313,	—	18,200,					
„ II, 50*l.* to 300*l.*	181,987,	—	53,510,					
„ III, 300*l.* and upwards	344,115,	604,415,	114,700,	186,410,	1869	4½	2½	3½
1870-71.								
Group I, up to 50*l.*	79,338,	—	18,450,					
„ II, 50*l.* to 300*l.*	181,551,	—	53,400,					
„ III, 300*l.* and upwards	416,887,	677,776,	139,000,	210,850,	1870	5½	2½	3

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I have carried the calculation as far back as 1856, in order to be able to note the effect of the pressure in 1857, 1861, and 1864, as well as that in 1866. The statements are, like those of the foreign bills, made up from the returns which follow the quarter ended 30th June to 31st March in each year named. The earlier year must, therefore, be taken as the year for comparison. It must also be borne in mind that I have deducted from the total amount of bills which the return of stamps issued from Somerset House showed might have been created, the estimated amount of bills drawn on foreign countries from this country, and stamped with inland stamps. This amount is referred to, and the estimate on which it is based explained, in the part of the paper which deals with foreign bills.

I have made no deduction in this estimate for the amount of bills and promissory notes which, though created, never appear in circulation at all. It is extremely difficult to form any reliable estimate of what this amount may be, but there can be no doubt that it is not inconsiderable. I understand from a solicitor who carries on a very considerable business, that in making advances to clients, a promissory note is not unfrequently drawn out in the course of the transaction, and that this is a very general practice with his profession in dealings of this class. Such a note may be at sight, though it is retained for several years without being ever put into circulation, or meant to be put into circulation at all. Advances made by bankers are frequently made in the same manner; and though these promissory notes are, I believe, more frequently drawn at a date, three or six months, perhaps for a longer period, yet they are never in circulation. On the other hand, I have not included in the table the amounts of bankers' short drafts, or the bank post bills issued by the Bank of England. The bills in existence under these two heads may amount to two millions and a half at one time. Their omission may be taken as compensating in some degree for the including in the table the amount of promissory notes and bills never actually in circulation, though I believe that these latter must very greatly exceed the amount of bankers' bills of all descriptions.

I have only divided the years 1864-71 into groups. In these years I calculated the amount of bills created on each denomination of stamps, the basis of this calculation being the average amount of bills as shown to be in actual circulation according to the results stated in Table 9. The groups are formed from the aggregate of the amounts so calculated.

The labour which this subdivision entailed prevented me from carrying the calculation back in this form, over the whole period included in the table. The division into groups, however, is carried sufficiently far to show that while the total amount of bills diminished

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greatly after the crisis of 1866, the diminution was confined to the bills comprised in Group III, containing the bills representing the larger and more speculative transactions which it may be presumed were, to a considerable extent, checked by that crisis. The bills in Groups I and II, which more closely correspond to the internal and retail trade of the country, remained either stationary or experienced a small increase in their amounts. The total sums are large. When, however, we compare them with the amounts in circulation in former years, the increase is hardly as great as other circumstances might lead us to expect. The aggregate of bills in circulation is probably not more than 300 to 350 millions at one time, including foreign bills. Mr. Newmarch's estimate for 1856 is that the corresponding amounts were then not much less than 180, or probably 200 millions,* while the banking deposits at that date were probably by no means the half, perhaps not more than the third part of what they are at the present time.

Taking the vast increase in banking deposits since 1856 into consideration, the amounts now under discount would certainly appear to be smaller now in proportion to other forms of advances, than they were at former periods. And the use of inland bills in general appears also to be smaller in proportion. In Mr. H. Thornton's "Inquiry into the Nature and Effects of the Paper Credit of "Great Britain" in 1802, as far as I can gather from the contemporary notice of it in the "Edinburgh Review," inland bills appear to be spoken of as forming a far more important portion of the circulating medium of the country, than they would be at the present time. Mr. W. Leatham also, writing in 1841, ascribes to inland bills a position which would hardly be done now. Mr. Leatham says, "Bills perform every function that can be assigned to the notes of "the Bank of England, with a quality, to make remittances by post, "which the notes cannot possess; and the only specific difference "between them is, that a limited time is attached to one and not to "the other; but when at maturity, bills are converted into gold with "as much legal certainty as bank notes. When the origin of bills "is *bonâ fide* and legitimate, I place them, with the security of the "drawer, acceptor, and perhaps twenty endorsements on the back, "in the first class of our currency—before notes, and next in rank "only to gold. I know of no purpose of money except wages to "which bills are not applicable, in the provinces throughout this "kingdom, though not seen in London in making payments. It is "in the recollection of many persons, that all the woollen business "of the West Riding was conducted by bills of exchange at two "months' date, as low as five pounds, drawn without stamps, with

* "Tooke and Newmarch's History of Prices," vol. vi, p. 588.

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"gold for wages, without the intervention of bank notes, previous "to the last war."* It will be observed that Mr. Leatham, while attributing to the circulation of bills in general, an importance which would hardly be ascribed to it now, speaks of this particular circulation in the West Riding rather as a thing "in the recollec- "tion of many persons," than as something existing when he wrote. I have made inquiries from bankers conversant with those districts, and I find, as I had no doubt was the case, that though in the early part of the century, such a system of two months' bills was in use for payments of all kinds for trade purposes, the practice has long since disappeared. In Mr. Newmarch's statement, made in 1851, the proportion which bills bear to sums on deposit with bankers is considerably larger than my estimate of the corresponding amount now. All these circumstances lead us to a surmise that, as in the earlier stages of banking in this country, a far greater use of notes was made than at the present time; so it will be found that as time goes on, and other forms of credit come into use, bills also will probably occupy a smaller part in the circulation of money, and cheques tend to supersede them. We are thus brought to the consideration of how little use it is to attempt to regulate the ebb and flow of the currency of money in this country by attending to one portion of it, whether that one portion be the amount of bills or of notes in circulation, to the exclusion of the remainder. To arrive at any just conclusion, the whole of the subject should be taken into consideration.

VII.—*The Various Classes of Foreign Bills.*

Mr. Goschen remarks, in his work on the foreign exchanges, "that the supply of bills upon England seems to be almost in- "exhaustible." This observation recurred to my mind while endeavouring to investigate this subject. There is, however, a great difficulty in forming an exact estimate of the amount of these bills, and that difficulty lies in discovering a sound basis on which such an estimate may be founded.

In speaking of "foreign bills," it must be borne in mind that all bills originating elsewhere than in Great Britain and Ireland are technically spoken of as *foreign* bills. These bills, therefore, include all bills drawn from our colonies, and the Channel Islands, as well as those drawn from all foreign countries.

The rates of stamp duty for foreign bills to January, 1871, were as follows:—

* "Second Series of Letters." W. Leatham, London, 1841, pp. 37 and 38.

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Rates of Stamp Duty on Foreign Bills, in use till January, 1871.*

Rates of Duty if Drawn in Sets of Three or more.	£	s.	d.	Rates of Duty if Drawn Singly or otherwise than in Sets of Three or more.	£	s.	d.
Up to 25*l.*	–	–	1	Up to 5*l.*	–	–	1
25*l.* „ 50*l.*	–	–	2	5*l.* to 10*l.*	–	–	2
50*l.* „ 75*l.*	–	–	3	10*l.* „ 25*l.*	–	–	3
75*l.* „ 100*l.*	–	–	4	—		—	
—		—		25*l.* „ 50*l.*	–	–	6
100*l.* „ 200*l.*	–	–	8	—		—	
—		—		50*l.* „ 75*l.*	–	–	9
200*l.* „ 300*l.*	–	1	–	75*l.* „ 100*l.*	–	1	–
300*l.* „ 400*l.*	–	1	4	—		—	
400*l.* „ 500*l.*	–	1	8	—		—	
—		—		100*l.* „ 200*l.*	–	2	–
500*l.* „ 750*l.*	–	2	6	—		—	
—		—		200*l.* „ 300*l.*	–	3	–
750*l.* „ 1,000*l.*	–	3	4	300*l.* „ 400*l.*	–	4	–
1,000*l.* „ 1,500*l.*	–	5	–	400*l.* „ 500*l.*	–	5	–
1,500*l.* „ 2,000*l.*	–	6	8	Up „ 700*l.*	–	7	6
2,000*l.* „ 3,000*l.*	–	10	–	„ „ 1,000*l.*	–	10	–
3,000*l.* „ 4,000*l.*	–	13	4	—		—	
—		—		Up „ 1,500*l.*	–	15	–
4,000*l.* „ 5,000*l.*	–	16	8	—		—	
5,000*l.* „ 6,000*l.*	1	–	–	Up „ 2,000*l.*	1	–	–
6,000*l.* „ 7,000*l.*	1	3	4	—		—	
7,000*l.* „ 8,000*l.*	1	6	8	—		—	
8,000*l.* „ 9,000*l.*	1	10	0	Up „ 3,000*l.*	1	10	–
9,000*l.* „ 10,000*l.*	1	13	4	—		—	
10,000*l.* „ 11,000*l.*	1	16	8	—		—	
11,000*l.* „ 12,000*l.*	2	–	–	Up „ 4,000*l.*	2	–	–
Upwards of 12,000*l.*	2	–	–	Upwards of 4,000*l.*	2	–	–

* The Act 33 and 34 Vict., cap. 97, abolished the distinction between inland and foreign bills, and altered the rate of duty from January, 1871. The numbers given for the quarter ended 31st March, 1871 (the last quarter of the year which completes the Table of estimated amount of foreign bills), are in accordance with the amounts of the bills. The stamps having been partly at the old and partly at the new rate for that quarter.

The number and amount of foreign bill stamps annually issued in the United Kingdom is the only basis available for such a calculation as it was needful to make; and on it I have endeavoured to construct an estimate of the aggregate amount of the bills which those stamps would be likely to carry in the ordinary course of business. The number of stamps of each denomination sold, and the amounts received for the total number, are published in the "Miscellaneous Statistics," but while the number of foreign and inland bill stamps issued, and the amounts paid for them, are carefully divided, no record is kept as to what portion of the foreign stamps was employed for bills drawn—

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On this country *from* foreign countries.
From *one* foreign country on *another* foreign country, and negotiated *here*.
From England *on* other foreign countries.

I have, therefore, to commence with an estimate of the probable amount of *all* bills created on the foreign bill stamps issued in the years 1859-60 to 1870-71 inclusive. This estimate is formed on the same basis as that employed for inland bills.

TABLE 11.—*Estimate of the Total Amount of* ALL *Bills Created on Foreign Bill Stamps Issued for the Years* 1859-60, 1870-71 *inclusive.*

[000's omitted, thus £349,300, = £349,300,000.]

Years.	Amount. £	Years.	Amount. £
1859–60	349,300,	1865–66	578,100,
'60–61	411,600,	'66–67	529,700,
'61–62	373,900,	'67–68	514,900,
'62–63	401,800,	'68–69	531,300,
'63–64	485,400,	'69–70	567,400,
'64–65	577,200,	'70–71	587,100,

These amounts approach comparatively closely to those of the inland bills for the same periods. The question before us, and one far from easy to answer, is to separate these enormous amounts, and to allot them to the various classes of operations which they doubtless represent. I proceed to mention the method followed in pursuing this investigation.

Up to 1st January, 1871, some of the stamps included under the head of foreign stamps were impressed, and some adhesive. If I had been able to ascertain accurately the proportion of each description, one element of difficulty in the computation of the amount of foreign bills in circulation would have been removed, adhesive bill stamps being exclusively used either for the bills drawn on Great Britain from a foreign country, or for those drawn by one foreign country on another, and negotiated in this country.

Mr. Hammick very kindly interested himself to ascertain for me whether the information required could be obtained from the Inland Revenue department in Somerset House. The reply, however, was that the proportion of impressed to adhesive stamps could not be ascertained, but that it was very small. Some indications, however, are given in the published returns as to the number of foreign stamps issued in sets of three or more. It was more usual, while the impressed stamps in sets were in force, to stamp all the bills of a set to be sent out of the country, than all the bills of a set received in the country; of these one only was more usually stamped. After considering the question, and obtaining all the information in my power, I proceeded, assisted by an estimate kindly supplied by Mr. E. Seyd, to endeavour to separate the bills drawn *in* this country

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on foreign countries from those drawn *on* this country *from* foreign countries, on the basis supplied by these indications. It became then necessary to endeavour to separate further the amount of bills drawn from *one* foreign country on *another* foreign country, and negotiated in this country; these bills also, as stated before, being stamped with adhesive stamps. Of these it is only possible to form an estimate. In doing this I have received much valuable help, as I have mentioned, from Mr. E. Seyd and Mr. Jourdan, both members of the Council of this Society.

We will first consider the bills drawn by this country on other countries, and it will be best to give Mr. Seyd's statement of their amount in his own words:—

"The bills drawn inland on abroad are either sold on change "here, or remitted abroad by the holders. Mr. Jourdan (a member "of our Council), agrees with me that the sales on change range "between 350 and 450 thousands each change day; or about average "700 thousands per week. Take 300 thousands as remitted, we should "have about 1 million per week or about 50 millions per annum "(you might check this if you could obtain the amount of *set stamps* "before they were abolished). The reason why such foreign bills "are but a moderate amount, is that our bankers discourage them, "and that many English merchants and manufacturers require their "debtors abroad to remit to them. You might take 50 or 60 millions "per annum as the amount."

When we have separated the bills drawn *on* foreign countries *from* this country, as is done in col. 4, Table 12, we shall be able to form a more just idea of the amount of bills drawn *on* this country from abroad. It is not possible to state this with complete accuracy, since, as mentioned before, "all bills originating abroad, whether accepted here or "merely negotiated here, would only be furnished "with adhesive stamps." Bills, therefore, which may pass through this country, drawn in *one* foreign country *on another* foreign country, and negotiated here, are stamped with similar stamps to the bills drawn on England and arriving from abroad. These bills, therefore, must be included in any calculation of foreign bills based on the number of foreign stamps issued, and their amounts can only be arrived at in an approximate way, by means of an estimate. I obtained from those best qualified to express an opinion, their idea of the probable amount of these bills for the last year, and I deducted that amount, and the same proportion for previous years. These amounts will be found in col. 5, headed "Foreign Bills "Negotiated in England." After this deduction was allowed for, I believe that the estimate in col. 6 is the closest which it is possible to make of the amount of bills from abroad annually arriving in this country. It is better to use the words "arriving in," than "drawn "on," at this stage of the inquiry. The latter might lead to the

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impression that all these bills were drawn for the debts of England to foreign countries; and represented thus the amount of money which foreign countries could withdraw from England at any time. I believe that a very considerable deduction from the amount must be made for the reason which Mr. Seyd mentions, that many of these bills merely represent money due to English merchants and manufacturers on foreign account. I shall consider this part of the question further on. I now supply an analysis of these bills into the three heads of bills drawn as estimated in Table 12:—

England on Foreign Countries, col. 4.

Foreign, on Foreign, negotiated in England, col. 5.

Foreign on England, col. 6.

And I have estimated the average circulation of these last-named bills in col. 7.

TABLE 12.—*Of the Total Amounts of Imports and Exports for the Years* 1860-71 *inclusive, Cols.* 1, 2, *and* 3; *and also of the Amount of Bills Drawn in England on Foreign Countries, Col.* 4; *from one Foreign Country on another Foreign Country, and Negotiated in England, Col.* 5; *from other Countries, including in this all British Colonies, on England, Col.* 6, *for the Years* 1859-60 *to* 1870-71 *inclusive.*

[In this table the amounts stated in Cols. 1, 2, and 3 are in millions; 000's are omitted in Cols. 4, 5, 6, and 7, thus £43,600, = £43,600,000.]

	1	2	3		4	5	6	7
					Estimated Amount of Bills in each year.			
	Imports. * Mlns.	Exports. * Mlns.	Total of Imports and Exports, including Bullion.* Mlns.	Quarter Ended 30th June to 31st March in each Year.	Drawn, *England* on *Foreign.*	*Foreign* on *Foreign,* Negotiated in England.	Amount of *Foreign* on *England.*	Estimated Average Circulation of Foreign Bills (Amount given in Col. 6) in England.
1860.	£	£	£		£	£	£	£
Merchandise	211,	165,						
Bullion	23,	25,						
	234,	190,	424,	1859–60	43,600,	18,300,	301,900,	83,900,
1861.								
Merchandise	217,	160,						
Bullion	19,	21,						
	236,	181,	417,	1860–61	51,300,	21,500,	355,900,	98,900,
1862.								
Merchandise	225,	166,						
Bullion	32,	29,						
	257,	195,	452,	1861–62	46,600,	19,600,	323,200,	89,800,
1863.								
Merchandise	249,	197,						
Bullion	30,	26,						
	279,	223,	502,	1862–63	50,200,	21,000,	347,300,	96,500,

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TABLE 12.—*Total Amounts of Imports and Exports for the Years* 1860-71—*Contd.*
[Amounts in Cols. 1, 2, and 3, are in millions; 000's omitted in Cols. 4, 5, 6, and 7, thus £60,700, = £60,700,000.]

	1	2	3		4	5	6	7
					Estimated Amount of Bills in each Year.			
	Imports.* Mlns.	Exports.* Mlns.	Total of Imports and Exports, including Bullion.* Mlns.	Quarter ended 30th June to 31st March in each Year.	Drawn, *England* on *Foreign.*	*Foreign* on *Foreign,* Negotiated in England.	Amount of *Foreign* on *England.*	Estimated Average Circulation of Foreign Bills (Amount given in Col. 6) in England.
1864.	£	£	£		£	£	£	£
Merchandise	275,	213,						
Bullion	28,	23,						
	303,	236,	539,	1863–64	60,700,	25,400,	419,500,	116,500,
1865.								
Merchandise	271,	219,						
Bullion	21,	15,						
	292,	234,	526,	1864–65	72,100,	30,200,	498,900,	138,600,
1866.								
Merchandise	295,	239,						
Bullion	34,	21,						
	329,	260,	589,	1865–66	72,100,	30,300,	499,700,	138,800,
1867.								
Merchandise	275,	226,						
Bullion	24,	14,						
	299,	240,	539,	1866–67	66,100,	27,700,	457,900,	127,300,
1868.								
Merchandise	295,	228,						
Bullion	25,	20,						
	320,	248,	568,	1867–68	64,300,	27,700,	445,000,	123,600,
1869.								
Merchandise	295,	237,						
Bullion	21,	16,						
	316,	253,	569,	1868–69	66,300,	27,800,	459,300,	127,600,
1870.								
Merchandise	303,	244,						
Bullion	29,	19,						
	332,	263,	595,	1869–70	70,800,	29,800,	490,400,	137,300,
1871.								
Merchandise	330,	282,						
Bullion	38,	34,						
	368,	316,	684,	1870–71	73,500,	30,700,	507,400,	141,000,

* These amounts are taken from the "Statistical Abstract of the United Kingdom for "1872," p. 17, and include among the exports the total value of foreign and colonial produce, as well as of British produce, exported.

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I have added, for facility of reference, the total estimated value of exports and imports, including bullion, in the United Kingdom, as these amounts give some criterion of the extent of the foreign trade of the country. I have included the imports and exports of bullion, and the foreign and colonial produce exported here, though I have not taken them into account in Table 14, comparing the returns from the Clearing House, and the imports and exports, with the circulation. Dealing with the internal trade of the country only at that point, these movements of bullion and re-exports appeared to form no part of the business then under consideration.

In forming this table I have calculated the amount of bills drawn in England on foreign countries, as bearing the same proportion to the stamps issued as the inland bills. Among those foreign bills which I have observed, I have remarked that the smaller ones have been drawn rather less close to the possible limit than the corresponding inland bills. The larger foreign bills, on the other hand, have been drawn closer up to the limit. We may, therefore, on an average, take the general results as corresponding with the similar particulars of inland bills. I then estimated, as nearly as I could, as is mentioned before, the amount of bills drawn on *impressed* stamps; these were the bills drawn in sets of three or more. To this amount I added half as much again for bills drawn singly, as I understood from very good authority that this was about the proportion of such bills, to bills drawn in sets. Since these bills were drawn on *ordinary inland* stamps, I have deducted the amounts so estimated from the inland bills, and as it was probable that these bills would for the most part exceed 50*l.* in value, I have in those years for which the amount of inland bills is divided into groups, deducted the amount from Groups II and III. The estimate of these groups of bills in Table 10 is, therefore, diminished to that extent. The total amounts so computed will be found in col. 4 of Table 12, headed "England on Foreign." Col. 5 contains the estimated amount of bills drawn from one foreign country on another, and negotiated in England. It is presumable that most of these bills, if not all of them, are drawn in connection with our export trade, and are remitted by those to whom a corresponding proportion of our exports are consigned. Mr. Seyd's estimate is, that one-third of our exports are drawn for and two-thirds remitted for. We ought according to that proportion, to deduct from the amounts in col. 6, "Foreign on "England," twice the total amount in col. 4, "England on Foreign," in order to arrive at some idea of the amount of foreign bills representing the debts of this country to foreigners.

We must not, in considering this part of the question, lose sight of the very large amount of foreign loans raised within this country, since foreign bills on England are often drawn in connection

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with these loans. The amounts for the years 1870 and 1871 are as follows:—

Description.	Years.	Amount.	Paid-up.
*Foreign loans	1870	61 millions	38 millions
† „	'71	198 „	121 „

* Commercial History and Review, the "Economist," 1870, p. 35.
† Ibid, 1871, p. 48.

Two other points have to be borne in mind. The first is the amount of coupons of foreign loans remitted abroad for collection. As the place of payment for many of these coupons is optional, and they may either be presented in London or Paris, or some great foreign centre of trade, at the choice of the holder, I am utterly at a loss to form any dependable estimate of the amounts which may be remitted abroad, but they may be not inconsiderable. On the other hand, similar coupons may be forwarded here. We may perhaps roughly set off the coupons which are remitted here and those which are remitted abroad as balancing each other. The second point is the number of letters of credit, which do not require foreign bill stamps, and hence are of necessity excluded from any estimate based on the number of stamps issued. A large business is done in "delegations," as these letters of credit (not bills of exchange) with 1*d.* stamps attached, payable on demand, are called. Thus, Paris bankers give "delegations" on London, and London houses on Paris and other places on the continent. Mr. Seyd computes that these delegations amount on an average to about—

10 millions in a-year foreign delegations on London
15 „ English delegations on foreign countries.

Bearing this fact in mind, taking also the amounts of foreign loans into consideration, but excluding the coupons, we ought now to find that the various classes of foreign bills thus estimated should correspond fairly closely with the amounts of the total exports, imports, and loans. If these amounts correspond it will be obvious that they will check the accuracy of the amounts of bills estimated. I take the year 1870 as the latest in the table. As the yearly statement of bill stamps is made up for quarters ending 30th June in one year, to that ending 31st March in the next, I have to compare the totals of 1870 with the bill currency of 1870-71, from Table 12.

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Estimate of Imports and Foreign Loans for 1870, *and of the Manner in which these may have been Drawn for.*

	Mlns. £		Mlns. £
Total of imports (col. 1)	332	Total of bills, foreign on England (col. 6)	507
Add loans paid up	38	Add delegations	10
			517
		Deduct twice the estimated amount of bills, England on foreign (col. 4), as representing portion of exports *remitted* for, and therefore included among the above, *say*	147
Total of imports and loans....	370	Leaving bills representing.....	370

I now turn to the exports:—

Estimate of Exports for 1870, *and of the Manner in which these may have been Drawn for.*

	Mlns. £		Mlns. £
Total of exports (col. 2)	263	Estimated amount of bills, England on Foreign (col. 4)	73·5
		Twice this amount, deducted, as stated above, from the total of col. 6	147·0
		Foreign on Foreign, negotiated in England (col. 5)	30·7
		Delegations	15·0
Total of exports	263	Total of bills	266·2

Note.—The amounts in this table, and in that immediately preceding, are in millions. The references (col. 1, &c.) are to Table 12.

These estimates assist us in understanding why the amount of bills drawn Foreign on England is so enormously large, and support the belief that the general computation is correct very strongly. I now proceed to complete this analysis by separating the bills representing the debts due by this country to other countries, from the general mass of foreign bills on the principle thus indicated, of deducting, from the totals of bills drawn Foreign on England (col. 6), *twice* the amount of bills drawn England on Foreign (col. 4). The results are as follows; they give as clear an idea as can be formed of the amount of those bills which represent the debts of this country to other countries.

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TABLE 13.—*Calculated, as stated above, from the Amounts in Table* 11 *and Table* 12, *and giving the Estimated Amount and Circulation of Bills Representing the Debts of this Country to other Countries.*

[000's omitted, thus £214,700 = £214,700,000.]

Years.	Estimated Amount of Foreign Bills Representing Debts from England to Other Countries.	Estimated Average Circulation of such Bills.
	£	£
1859–60	214,700,	53,675,
'60–61	253,300,	63,325,
'61–62	230,000,	57,500,
'62–63	246,900,	61,725,
'63–64	298,100,	74,525,
'64–65	354,700,	88,675,
1865–66	355,500,	88,875,
'66–67	325,700,	81,425,
'67–68	316,400,	79,100,
'68–69	326,700,	81,675,
'69–70	348,800,	87,200,
'70–71	360,400,	90,100,

These estimates are the closest that can be obtained. The amounts due from this country to other countries support the belief that the general computation is correct. We can now understand why the amount of bills drawn Foreign on England is so large, and the different classes of operations which they represent, and we can see that the enormous and rapidly increasing amount of these bills is an additional element in English banking business which may exercise a very great influence at any time of pressure or panic.

During the period of twelve years over which the table extends, a larger increase in foreign bills of all descriptions, than in the corresponding amounts of inland bills, will be observed. The inflation during the years 1863-66 is also marked, and also the reaction which followed. The effect of the crisis in the year 1866 is more conspicuous in these amounts than in the corresponding statement of inland bills.

The following extracts from Mr. Goschen's work on foreign exchanges give a very clear statement of the vast power over the English money market which those bills must exercise.

"It seems to be evident that when the exchanges are manifestly "against any country, and it is perceived that a balance of in- "debtedness is the cause, the equilibrium can be restored only in "two ways: the one being the increase of exports and diminution "of imports, the other an advance in the rate of interest.

"We now come to the fact, which it is very important clearly "to appreciate, that at any moment there is in the hands of bankers

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" and exchange dealers a large amount of bills on various countries, " held partly for the purpose of speculating on a rise or fall in the " price of bills, but, to a very large extent, solely for the sake of " the interest which is to be made on them. Bills on England, " owing to the high rate of interest which they often bear, as com- " pared with continental rates, are a favourite investment abroad. " In Paris, Berlin, Frankfort, Hamburg, and other continental " cities, the bills on England held by the bankers and joint stock " companies often amount to many millions sterling; and a very " large sum remains in their hands for several months—in fact, " from the time when the bills are drawn to the time when they are " due. The immense importance of this circumstance cannot be " overlooked."—" Goschen's Foreign Exchanges," pp. 125 and 135.

As it was impossible to ascertain the length of time during which these bills are afloat in England, I have assumed, in estimating the average circulation of these bills, an average currency of three months in this country: as I understand, on very high authority, that this is the probable estimate. I have been very desirous of finding some statement of these bills in former years, for the purpose of comparison with the present time. I have made every possible search, but with the exception of Mr. W. Leatham's estimate, which, as I understand it, was that the foreign bills in circulation in 1839 were one-sixth of the inland bills, in which case they would have amounted to 24 millions at that date, I can find no earlier estimate than Mr. Newmarch's in 1851. This was that the foreign bills in circulation at that time were about 16 millions. The contrast between that period and the present is very remarkable.

It is obvious that, in proportion as the amount of these bills increases, and from the estimate I have given it is equally obvious, how very large and progressive that increase is, the influence of the foreign demand over the English money market must increase in proportion. That demand must always have a tendency to create and to maintain a current of the precious metals flowing outwards from this country. The analysis of the foreign bills also shows how small in comparison the amount of bills drawn on foreign countries, and held in this, is at any time likely to be, and how feeble in consequence in this respect are the means of influencing the foreign exchanges which this country can exercise. It has been proposed, and the suggestion deserves the most careful attention, that under present circumstances it would be very desirable for English bankers to follow the practice pursued by the bankers in the principal centres of continental commerce, and referred to by Mr. Goschen in the extract from his book I have just quoted, and to hold in reserve in England a considerable amount of bills on the great banking houses of other countries. Such reserves would largely

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tend to strengthen the position of English banking, for, as matters stand at present, it is obvious that the influence which foreign bills may exert on the English money market will also tend to augment the rapidity of the exhaustion of the Bank of England reserves in time of pressure, and that the rate of interest charged by the Bank at such periods must be proportionately raised higher, and continue at a high rate longer. The history of the last three crises fully bears out this conclusion.

VIII.—*The Circulating Medium of the Country, and the Act of* 1844.

It is only from a historical point of view that we can at the present time understand the great importance ascribed by Sir Robert Peel to regulating the amount of bank note money in circulation, whether these notes were issued by the Bank of England, private, or joint stock banks.

In 1844 Sir Robert Peel had, besides 1839, 1819 still fresh in his memory.*

Sir Robert Peel's name will ever be associated with the resumption of cash payments resolved on in 1819. We can well enter into the deep and natural desire felt by that great statesman to ensure the convertibility of the Bank of England note. Paper money meant a very different thing in this country during the early years of this century from anything which it has done since, and it played a very different part in banking operations.†

A comparison of the facts as existing in 1819, 1844, and 1872, will enable us to understand how completely the circumstances have altered during the last fifty years.

In 1819, the amount of notes in circulation was—

	£
Of Bank of England notes	25,657,610
„ English country „	15,701,338
A total of more than.....	41,000,000

* See Sir Robert Peel's Speeches on 6th and 20th May, 1844.

† The determined opposition shown in 1818 to Lord Liverpool and Mr. Vansittart's proposed legislation on the note circulation by the country bankers, marks the importance that they ascribed to the power of issuing notes then. MS. letters of that date in my possession, written by two country bankers, both of them members of parliament, are to the same effect. In the evidence taken before the Committee on the Bank of England Charter in 1832, one banker stated that his deposits at that time were about twice his issues of notes, another intimated that they were about equal. I have an early reminiscence of being told, while a lad, of banks whose note circulation bore a considerably higher proportion even than these, to the amounts of deposits held. No published account at the present time states the note issues as any thing but a very small fraction indeed of the deposits.

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The gold coinage of the year was less than four thousand pounds (3,574), and the progressive accumulation of gold coined since 1817, the year when coining gold was resumed, had been little more than seven millions (7,137,711).* It is difficult to estimate how much of this amount of gold, or what amount of gold, was in circulation in the country at that time. In Tooke's "History of "Prices," vol. i, p. 245, the amount of gold in circulation in 1800 is estimated as being barely 8 millions. Considering the great pressure for foreign payments between 1800 and 1819, a great diminution of this amount is probable at the later date. Marshall's "Digest" states that the Bank of England held of coin and bullion together—

	£
28th February, 1819	4,184,620
31st August, „	3,595,360

These are not the amounts of coin only, but of coin and bullion together; it therefore seems impossible to suppose that there can have been more than ten millions of gold coin circulating in England in 1819. Comparing 1872 with 1819 we find that the note circulation of England is now about 30 millions, that is, 10 millions less; the metallic circulation about 105 millions, that is, about 95 millions more. I have to limit the comparison in 1819 to England alone; as, though I have made every possible search, I have been unable to obtain dependable information as to the note circulation in Scotland and Ireland at that time.

In 1844 the gold circulation was estimated by Mr. Newmarch at 36 millions.† The note circulation of the whole kingdom was 37 millions. The notes were, therefore, slightly in excess of the gold at that time.

In 1872 the metallic circulation altogether may be estimated at about 105 millions.‡ The note circulation of the whole kingdom was 43 millions ; instead, therefore, of the notes being more than the metallic circulation, they are much less than one-half of it, and are probably but little more than one-third of the specie circulation and the bullion in the Bank of England taken altogether.

The amount of business done in the country may be roughly tested by the extent of the imports and exports. These were as follows (in millions) :—

* "Marshall's Digest." Part II, p. 62.

† "Tooke and Newmarch's History of Prices," vol. vi, p. 701.

‡ Estimate based on Professor Jevons' statement, Statistical Society's *Journal*, 1868, pp. 446, and the account of the "Coinage of Gold for Twenty-four Years," "Economist," 29th June, 1872.

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	1819.*	1844.*	1872.†
	Mlns.	Mlns.	Mlns.
Imports	30	85	353
Exports	35	59	255
	65	144	608

* Porter's "Progress of the Nation," p. 356.
† From Board of Trade returns.

In 1819 the imports and exports together were not twice the amount of the note circulation. In 1844 they were about four times as much. In 1872 they were more than fourteen times as much.

There are two other standards, besides the imports and exports, by which we may attempt to measure the proportion which the note circulation bears to the total means and wealth of the country. These are, the proportions borne by the amount of notes to the population of the country, and to the business generally, as shown by the Clearing House returns.

Comparing the note circulation with the population—

	£	s.	
In 1844 the note circulation was about	1	7	a-head.
„ '72 „ also	1	7	„

for the total population of the United Kingdom.

But taken by the three great divisions of the circulation it was—

In 1844.					In 1872.	
£	s.	d.			£	s.
1	15	8	about a-head for	England and Wales	1	6
1	3	–	„	Scotland	1	10
–	14	9	„	Ireland.....	1	8

Therefore, relatively to population, while the note circulation has remained stationary for the kingdom at large, it has diminished considerably in England and Wales, but has increased considerably in Scotland and Ireland.

If we compare the general circumstances, we shall see how completely the circulation of the country has in recent times passed, from being a circulation in notes, to being a circulation in cheques. To show this more clearly, I have prepared Table 14, exhibiting side by side the relative position of the note circulation in 1844 to the exports and imports, and to the amounts passed through the London Clearing House. I have also continued this statement from the commencement of 1868 to the end of 1872. It is to be remembered that a considerable number of payments made for the country banks,

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through the medium of the country clearing, are included in these figures. Some also of the cheques included, the proportion of which cannot be ascertained, have passed through several hands, and thus represent even a larger circulation than the Clearing House figures imply. A cheque which had received ten endorsements, and consequently had passed through at least as many hands (not including three banks) in five days, has come under my own observation. Such instances are rare, though a second, sometimes a third endorsement is not infrequent. The course which cheques payable to bearer take cannot be traced with equal certainty, but it is probable that they pass through at least as many hands as those payable to order. Altogether it is beyond doubt that cheques form a real circulation, and are the most usual method of circulating money at this period.

In cols. 6 and 9 we see that, though the note circulation has increased since 1868, its progress has been far less than that of the exports and imports, as shown in cols. 1 and 2. The greatest increase by far is in the clearing, as shown in cols. 3 and 4.* Not only have the amounts passed through the clearing increased in themselves, as shown in cols. 3 and 4, but, as shown in cols. 5 and 8, in a far greater proportion than either the exports and imports or the note circulation, which will be found in cols. 6 and 9. The decimal proportion of the total exports and imports to the clearing in 1868 was ·137; in 1872 this proportion had sunk to ·103. Taking the note circulation as represented by 1, the clearing was represented by the figure 87 in 1868; in 1872 this figure had risen to 135. Comparing the exports and imports with the note circulation in the same way, the amounts of these in 1868 were represented by the figure 12. This figure, by 1872, had only increased to the figure 14. Test it in any way you will, you will find that the increase in the circulating medium has been in the amounts passed through the Clearing House; and further, that the increase in the clearing has been greater than the increase in the trade of the country generally. It is true that these returns give no exact measure of the transfers arising from actual trading transactions, for all the Stock Exchange business is settled in this way, and we can only guess what that is by observing the enormous amounts passed through on the settling days. But taking a broad view of the subject, it is obvious that in examining this part of the question, the Clearing House returns are now the important point to be considered.

* It is much to be regretted that the recommendation of the late Mr. Babbage, which occurs in his analysis of the statistics of the Clearing House in the Society's *Journal* for 1854, that it was desirable that the returns of the clearing should be published, was not followed at the time. A record of the fluctuations of the clearing for the last ten years would be a most valuable guide in gauging the effect of the periods of pressure on the money market.

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TABLE 14.—*Exports and Imports of United Kingdom, Amounts passed through the London Clearing House, and the Total Bank Note Circulation of all the Banks in the United Kingdom.*

[The amounts in Cols. 1, 3, and 6 in this table are in millions, thus £144 (in Col. 1) = £144,000,000.]

Year.	1 Exports and Imports in Millions.	2 Increase of Exports and Imports. 1868=100.	3 Clearing in Millions.	4 Increase of Clearing since 1868. 1868=100.	5 Decimal Proportion of Total Exports and Imports to Clearing.	6 Bank Note Circulation in Millions.	7 Proportion of Exports and Imports together to Note Circulation. Note Circulation=1.	8 Proportion of Note Circulation to Clearing. Circulation=1.	9 Increase in Bank Note Circulation since 1868. 1868=100.
1844.	£		£			£			
Exports	59								
Imports	85								
Total*	144	—	say 1,500	† —	—	37·38	Exports and Imports say 3	Clearing, say 40	—
1868.									
Exports	179								
Imports	294								
Total	473	=100	3,466	=100	·137	39·75	Exports and Imports say 12	Clearing, say 87	=100
1869.									
Exports	189								
Imports	295								
Total	484	102	3,602	104	·134	39·85	Exports and Imports say 12	Clearing, say 90	100
1870.									
Exports	199								
Imports	303								
Total	502	106	3,904	114	·128	40·00	Exports and Imports say 12½	Clearing, say 97	101
1871.									
Exports	222								
Imports	329								
Total	551	116	4,777	138	·115	42·12	Exports and Imports say 13	Clearing, say 113	106
1872.									
Exports	255								
Imports	353								
Total	608	129	5,903	171	·103	43·62	Exports and Imports say 14	Clearing, say 135	109

* 1844, "Porter's Progress of the Nation," p. 356. For years 1868-71, "Statistical Abstract," 1872, p. 17, the exports of British produce only included, as more closely representing British trade than the total exports, which include foreign and colonial produce. 1872, from "Board of Trade Returns."

† The amount passed by the principal banking houses in London at the Clearing House, in 1839, is given as 941,401,600*l.* ("Principles of Money," by John Wade, 1842, p. 79). As the statement is for 1839, and does not include the Bank of England nor the joint stock banks, nor *all* the private banks, a considerable increase is probable by 1844.

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In 1844 the sums passed through the Clearing House cannot have been forty times the amount of the note circulation of the country; in 1872 they were a hundred and thirty-five times as large. From 1868 onwards the returns of the London Clearing House have been published. These returns, when compared with the exports and imports of the country, afford some very curious subjects for reflection. I have therefore tabulated them for the year 1844 and the years since 1868. Of the earlier year alone I have been able to obtain any information as regards the Clearing House returns till the year 1868, since which time the returns have been published. I was very desirous of obtaining the statements for the years since 1861, but I understand from Sir John Lubbock that no such record exists. It will be observed that the clearing increases in a more rapid proportion than the general trade of the country, as tested in this manner. I shall have occasion to refer to this point further on. It will be seen that while the exports and imports in 1844 were about three times the amount of the bank note currency, in 1872 they were fully fourteen times that amount. Judged by these standards the note circulation bears a far smaller proportion to the means of the country now than it did in 1844, and any slight increase or decrease in it, or in the demand for gold, might be expected to produce a far smaller influence on the money market now than then. But this is not entirely the case. In order to mark this more clearly I have constructed a table giving the total bank note circulation of the United Kingdom from the commencement of the year 1844 to the close of the year 1872. This table shows the effect of the Act of 1844 on the note circulation, and the alterations which have hence resulted in its composition.

This table of the note circulation of the country is a statement of the annual averages of each year as regards the Bank of England, the private and joint stock banks of England and Wales, the banks of Scotland, and those of Ireland. It is based for the years 1844-54 on the table given in "Tooke and Newmarch's History of "Prices," vol. vi, p. 583. In that table the bank post bills are included in the circulation of the Bank of England. But I have deducted the amount of these bills, taking the average from the particulars given in the Appendix to the Report from the Select Committee on the Bank Acts, 1857. Such bills form no part of the paper circulation as understood by Sir R. Peel, who, in his speech in exposition of the principles of the Act of 1844, said, "I must "state at the outset, that in using the word 'money' I mean to "designate by that word the coin of the realm and promissory "notes payable to bearer on demand. In using the word 'paper "'currency,' I mean only such promissory notes. I do not "include in that term bills of exchange, or drafts on bankers, or "other forms of credit."

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TABLE 15.—*Bank Note Circulation of the United Kingdom*, 1844-72. *Statement of the Stock Banks of England and Wales, the Banks of Scotland and those of Ireland, in Percentages, and Proportions of the Circulation Regulated and Free under the Act of Average Rate of Discount, and the Number of Changes in Rate, in Cols.* 22 *and* 23. *The*

[0,000's omitted from this table in cols. referring

1	2	3	4	5	6	7	8	9	10	11	12
Year.	Bank of England.			Private and Joint Stock Banks.			Total of England and Wales.	Total of Scotland.	Total of Ireland.	Total Circulation of United Kingdom.	Proportion of Total Circulation (Col. 11) to that in 1844. 1844=100.
	London.	Branches.	Total.	Private.	Joint Stock.	Total.					
	£	£	£	£	£	£	£	£	£	£	
1844	13,74	6,51	20,25	4,78	3,39	8,17	28,42	3,02	5,94	37,38	100
'45	13,60	7,13	20,73	4,51	3,19	7,70	28,43	3,29	6,95	38,67	103
1846	13,68	6,77	20,45	4,55	3,17	7,72	28,17	3,40	7,26	38,83	104
'47	12,71	6,53	19,24	4,54	3,09	7,63	26,87	3,55	6,01	36,43	97
'48	12,29	5,83	18,12	3,66	2,60	6,26	24,38	3,33	4,75	32,46	87
'49	12,59	5,90	18,49	3,56	2,63	6,19	24,68	3,22	4,23	32,13	86
'50	13,26	6,26	19,52	3,58	2,74	6,32	25,84	3,22	4,51	33,57	90
1851	13,11	6,42	19,53	3,46	2,74	6,20	25,73	3,24	4,46	33,43	89
'52	14,97	6,94	21,91	3,55	2,86	6,41	28,32	3,40	4,82	36,54	98
'53	14,87	7,81	22,68	3,80	3,05	6,85	29,53	3,80	5,65	38,98	104
'54	13,45	7,38	20,83	3,77	3,03	6,80	27,63	4,05	6,29	37,97	101
'55	12,76	7,04	19,80	3,83	3,05	6,85	26,65	4,10	6,36	37,11	99
1856	12,66	6,97	19,63	3,75	3,05	6,80	26,43	4,09	6,65	37,17	99
'57	12,47	7,00	19,47	3,62	3,01	6,63	26,10	4,05	6,82	36,97	99
'58	13,34	6,88	20,22	3,24	2,76	6,00	26,22	3,81	6,18	36,20	97
'59	13,66	7,66	21,32	3,44	2,99	6,43	27,75	4,11	6,87	38,73	103
'60	13,34	7,91	21,25	3,44	3,00	6,44	27,69	4,22	6,84	38,75	103
1861	12,62	7,39	20,01	3,22	2,89	6,11	26,12	4,20	6,26	36,58	98
'62	13,35	7,48	20,83	3,22	2,89	6,11	26,94	4,15	5,66	36,75	98
'63	13,24	7,44	20,68	3,14	2,88	6,02	26,70	4,20	5,40	36,30	97
'64	13,00	7,57	20,57	3,11	2,85	5,96	26,47	4,25	5,60	36,32	97
'65	13,37	7,72	21,09	2,95	2,85	5,80	26,89	4,38	5,98	37,25	99
1866	14,71	8,48	23,19	2,76	2,28	5,04	28,23	4,40	5,88	38,51	103
'67	14,85	8,61	23,46	2,73	2,30	5,03	28,49	4,57	5,81	38,87	104
'68	14,94	8,99	23,93	2,74	2,30	5,04	28,97	4,60	6,18	39,75	106
'69	14,59	8,86	23,45	2,73	2,33	5,06	28,51	4,73	6,61	39,85	106
'70	14,47	8,83	23,30	2,59	2,30	4,89	28,19	4,93	6,88	40,00	107
1871	—	—	24,41	2,68	2,31	4,99	29,40	5,11	7,55	42,06	112
'72	—	—	25,54	2,70	2,39	5,09	30,63	5,32	7,67	43,62	117

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Annual Averages of each Year as regards the Bank of England, the Private and Joint Cols. 2 *to* 11. *The Proportion of Total Circulation to that in* 1844, *the Amounts,* 1844, *and the Position of the Scotch and Irish Circulations, Cols.* 12 *to* 21. *The Bank Annual Average Banking Reserve of the Bank of England in Col.* 24.

to money, thus £20,25 (Col. 4) = £20,250,000.]

13 Total Circulation, Proportion Free.	14 Proportion of Free Circulation, Col. 13, to that in 1844. 1844=100.	15 Total Circulation, Proportion Regulated.	16 Proportion of Regulated Circulation, Col. 15, to that in 1844. 1844=100.	17 Percentage of Free Proportion to Total.	18 Percentage of Regulated Proportion to Total.	19 Scotch over Limit, 1845.	20 Irish, over or below Limit, 1845.	21 Scotch or Irish, or both, over Limit, 1845.	22 Bank Average Rate of Discount.	23 Number of Changes in Bank Rate.	24 Average Banking Reserve of the Bank of England
£		£				£	£	£			£
17,13	100	20,25	100	46	54	—	—	—	—	1	8·50
17,13	100	21,54	106	45	55	·21	+ ·60	·81	3	2	8·20
17,15	101	21,68	107	45	55	·32	− ·91	1·23	3¼	1	8·30
16,72	98	19,71	97	46	54	·47	− ·34	·47	5	9	5·10
14,09	82	18,37	90	43	57	·25	−1·60	·25	3¾	3	9·60
13,50	79	18,63	72	42	58	·14	−2·12	·14	3	1	10·70
13,91	81	19,66	97	42	58	·14	−1·84	·14	2½	1	10·90
13,74	80	19,69	97	41	59	·16	−1·89	·16	3	—	9·00
14,31	82	22,23	110	39	61	·32	−1·53	·32	2	2	12·70
15,58	91	23,40	115	40	60	·72	− ·70	·72	3½	6	8·80
16,17	94	21,80	107	43	57	·97	− ·06	·97	5	2	7·20
16,28	95	20,83	103	44	56	1·02	+ ·01	1·03	4¾	8	8·40
16,23	95	20,94	103	44	56	1·01	+ ·30	1·31	5¾	8	5·70
16,06	93	20,91	103	43	57	·97	+ ·47	1·44	6¾	9	5·40
14,93	87	21,27	105	41	59	1·06	− ·17	1·06	3¼	6	12·10
15,53	90	23,20	114	40	60	1·36	+ ·52	1·88	2¾	5	11·10
15,54	90	23,21	114	40	60	1·47	+ ·49	1·96	4¼	11	8·40
15,12	88	21,46	106	41	59	1·45	− ·09	1·45	5¼	11	7·50
14,52	85	22,23	110	39	61	1·40	− ·69	1·40	2½	5	10·30
14,17	82	22,13	109	39	61	1·45	− ·93	1·45	4½	12	8·50
14,31	84	22,01	109	39	61	1·50	− ·75	1·50	7½	15	7·80
14,53	85	22,72	112	39	61	1·63	− ·37	1·63	4¾	16	8·00
13,67	79	24,84	122	35	65	1·65	− ·47	1·65	7	14	6·50
13,59	79	25,28	124	35	65	1·82	− ·54	1·82	2½	3	12·70
13,97	81	25,78	127	35	65	1·85	− ·17	1·85	2	2	11·50
14,16	82	25,69	127	36	64	1·98	+ ·26	2·24	3¼	7	10·20
13,99	81	26,01	128	35	65	2·18	+ ·33	2·71	3	10	12·50
14,09	82	27,97	138	33	67	2·36	+1·20	3·56	3	10	14·20
14,19	83	29,43	145	32	68	2·57	+1·32	3·89	4¼	14	12·20

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The bank post bills have, therefore, been excluded throughout. For the years 1855-70 the statements in the "Miscellaneous Statistics" have formed the basis. These at present extend only to the year 1867, and I am indebted to the courtesy of Mr. H. Reader Lack, of the Board of Trade, for the particulars for the years 1868-70. For the years 1871-72 the returns given in the "Bankers' Magazine" have been consulted.

We can trace by the aid of this table the general course of the note circulation in the United Kingdom from the year 1844 to the close of 1872. It will be observed that the note circulation has extended but little in total amount during that time, when compared with the great expansion in other departments of banking business, as shown in Paragraphs II, III, V, and XII, the amount of the note circulation (col. 11) being 37 millions in 1844, and 43 millions in 1872. The circulation in *gold* has increased probably as fast as the increase in retail trade and the total of wages. But the circulation in *notes* has increased very slowly indeed.* The extension in the use of cheques for sums of 5*l.* and above has supplanted the use of notes. But the number of cheques under 5*l.* is so small as not materially to supplant the use of coin, which is chiefly used for retail trade and wages. And in the case of the country note circulation, as will be mentioned further on, the power of issue is to a great extent in the agricultural districts, where notes are now but little wanted, and comparatively less in the manufacturing and industrial districts, where such a note issue might be of service.

* Mr. W. Langton, the Managing Director of the Manchester and Salford Bank, has been so good as to supply me with the following estimate of the proportion of cash payments to the total turnover of customers' accounts in his district. The amount of cash payments in it is very remarkable, and I believe that the proportion of coin in it very largely exceeds the average of England taken as a whole. It is to be remembered that the statement proceeds from a great wage-paying district. It is derived from returns obtained from two banks:—

		Per cnt.	
In 1859 the *cash* payments (coin and notes) were about		53	of the *total* turnover.
„ '64	„	42	„
„ '72	„	32	„

In 1864 the coin was about 8 to 10 per cent. and the notes 92 to 90 per cent. of the total payments in cash.

In 1872 the coin was about 15 per cent. and the notes 85 per cent. of the total payments in cash.

The progressive decline in the use of notes thus indicated is remarkable. It is very desirable that careful returns of the amounts passed through the Manchester Clearing House should be published. It is only by analysing such statements that the movements of the circulating medium can be traced. The influence of the amount, and the manner of the payment of wages in this respect is very great. Mr. Langton informs me that "when one of our railways began to pay weekly "instead of fortnightly, we had to give them double the amount of silver, and "nearly double the amount of half-sovereigns that we had done previously."

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It will be observed from this table that the total amount of notes in circulation bears no definite proportion to the average rate of discount. But though the total amount of the note circulation has increased only slightly since 1844, and in a far smaller proportion than the specie circulation, which, as just mentioned, has increased in the same time from about 36 to 105 millions, the composition of the note circulation has most materially altered. It will be observed that the country note circulation in England, cols. 5, 6, and 7, has steadily declined. Mr. Newmarch said, in 1854, "The "col. 3 of the circulation of the *branches* of the Bank of England, "and the col. 7 of the total country circulation of England and "Wales, very closely balance each other. As the country cir- "culation has declined, the Branch Bank circulation has risen." It will be observed that this holds good to the present time. It will also be observed that the note circulation in Scotland, col. 9, has steadily and continuously increased beyond the limits fixed by the Act of 1845, and that the Irish circulation, col. 10, has likewise increased greatly beyond that limit during the last few years. The circulation of the Bank of England has also increased considerably, particularly in the provinces. The united effect of all these changes has been, that while the proportion of what may be termed the non-regulated note issue, cols. 13 and 14, of the United Kingdom generally has greatly diminished, that of the regulated issue, cols. 15 and 16, has greatly increased, and, as these movements have been in opposite directions, the proportion which the non-regulated bears to the regulated issue is far smaller now than in 1844, as is shown in cols. 17 and 18. By the non-regulated issue I mean that of the English country banks, whether joint stock or private, and also that of the Scotch and Irish banks, up to the limit fixed in 1845. Beyond that limit, cols. 19, 20, and 21, every note issued by the Scotch and Irish banks means, as is well known, a corresponding diminution in the reserve of the Bank of England. Bullion must be held against the excess exactly as it must be held against any excess of the notes of the Bank of England beyond the amount issued against securities. It will be observed that, corresponding in date with the contraction of the non-regulated, and the increase in the regulated issue of the United Kingdom taken as a whole, the number of alterations in the rate of discount, and the extent of the fluctuations in that rate, cols. 22 and 23, tend to augment.

This will be seen more clearly if the period from 1846 (the first year in which the principles of the Bank Regulation Act were observed throughout the United Kingdom) to 1872, is divided into groups of nine years each.

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Years.	Non-Regulated Issue. Average for Nine Years (Col. 17).	Regulated Issue. Average for Nine Years (Col. 18).	Number of Changes in Rate (Col. 23).
	Proportion per cnt.	Proportion per cnt.	
1846–54	42	58	25
'55–63	41	59	63
'64–72	35	65	91

It will be observed that the tendency to increase both in number and extent of fluctuation of the rate of discount, increases simultaneously with the decrease of the non-regulated circulation. I would carefully guard myself from saying that, because these events have occurred simultaneously, they have therefore a necessary and absolute connection with each other, and with no other points whatever. For other circumstances, as I shall proceed to state, and in particular the proportion of the banking reserves of the country, speaking generally, to the banking liabilities of the country, have contributed to this result. But the coincidence is remarkable, especially as the progressive increase is constant as far as the period of observation extends. The probability that greater and more rapid fluctuations in the rate of discount will ensue, should these alterations in the proportions of the note circulation continue to increase, cannot be doubted, in proportion as the influence of the note circulation on the banking reserve of the Bank of England increases.

Whatever connection now exists between the amount of notes in circulation and the rate of discount, arises from the connection between the note circulation and the banking reserve of the Bank of England. It is the proportion of the banking reserve to the liabilities of the Bank of England which, more than anything else, regulates the rate of discount. And in proportion as the note circulation affects the banking reserve it has an influence, and in no other way whatever. In no other direction can the note currency have any greater or less influence than a metallic currency would have. A completely metallic currency would be no safeguard against rapid and violent changes in the rate of discount. Of this we may see a proof in what has occurred at Hamburg, as I have mentioned in the description of the system of banking followed in that city, where a completely metallic currency, for such the Hamburg bank money really was, the whole amount of it being based on corresponding values of the precious metals, was no safeguard against the vehemence of the crisis of 1866. An illustration is likewise given in Table 15. It is while the note currency of the country generally has been approaching more nearly to the condition of a purely

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metallic currency, that these fluctuations have become more vehement. This is in exact accordance with the opinion expressed by Mr. George Grote in his evidence before the Committee of 1832 on the Bank Charter. Lord Althorpe appears to have been the questioner.

Q. 4775. "Should you not, in the case of there being a purely "metallic currency, anticipate very great fluctuations in the price "of commodities, in the rate of exchanges, and in the rate of com-"mercial discounts?"—"Yes; great fluctuations. I do not see "that a metallic currency furnishes any security against them."

In Mr. Grote's opinion, therefore, no security from fluctuations is to be expected from causing a currency partly composed of bank notes and partly of coin, to be always of the same amount as a purely metallic currency would be. This was likewise the opinion of Mr. Tooke and of Mr. James Wilson. It is, indeed, obvious that it is not the currency itself which is the prime mover in these fluctuations. The cause is to be found in another direction. It will be seen indicated in the amount of the banking reserves. Meanwhile an increase rather than a diminution of the sensibility of the discount market is to be looked for. In the Scotch and Irish portions of the note circulation an increase, if they remain on their present footing, may be expected. That portion of their issues which is in *1l.* notes, takes the place of sovereigns, and as the demand for coin increases with the increasing requirements of the country, the demand for *1l.* notes also increases. An increase in the country circulation of the Bank of England is likewise probable. The Irish and Scotch circulations, when above the limit fixed in 1845, and the English country circulation, so far as that consists of Bank of England notes, press on the reserve of the Bank of England exactly as if the notes were so many sovereigns. These notes are the symbols of as many sovereigns removed from the Banking Reserve to the Issue Department. Hence a purely provincial and home demand operates in exactly a similar way as a demand for export induced by the state of the foreign exchanges. But it was to bring the note circulation into accordance with the demand indicated by the state of foreign exchanges that the Act of 1844 was framed. The state of the foreign exchanges has, however, less influence on the provincial demand for an increased circulating medium, than the state of the weather throughout the year. The influence of the weather on the harvest has a decided effect on the provincial note circulation, while the state of the foreign exchanges is absolutely unknown. The demand for Bank of England notes which accompanies the demand for gold referred to in Par. IX, as caused by the autumn requirements, is also now very large, and cannot be overlooked in any statement of this nature. All these demands

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for foreign and for domestic requirements, though totally dissimilar in character, have now precisely the same effect on the Bank of England reserve. The close connection between the extent of the Scotch and Irish circulations and changes in the rate of discount at the Bank of England has frequently been noticed; another point which has not before been referred to may be mentioned here. The Scotch note circulation was observed by Mr. Gilbart to be at its maximum in November, being also high in May.* The Bank of England rate of discount has reached its maximum, or been at that point nine times since the year 1844, in the months of May and November. The English country note circulation is usually high in April. The bank rate has never, since 1844, reached its maximum in April.

I desire to guard myself against being understood in any way to contend that the Bank Act of 1844 is responsible for any of the circumstances which led to any of the crises which have occurred since that date. I believe that one object of that Bill, "to maintain "and guarantee the convertibility of a paper currency into gold," as stated by Sir Robert Peel in 1848, has been as well obtained under it, as by any other measure which could have been framed at that time. Since 1844 the bullion in the Bank of England has never approached in any degree the low level at which it stood in 1839, and thus one great element of security has been gained. But the requirement which the Act of 1844 was designed to provide for, is no longer the main requirement. The Act of 1844 provided, and, generally speaking, admirably well, for the convertibility of the Bank of England note, but it left the banking reserve untouched and unstrengthened. The real paper circulation of the country is now no longer a note circulation but a cheque circulation, and it is now the banking reserve, the reserve which is to secure the ultimate convertibility of cheques, which requires attention. The method of carrying on business is, as I have shown, entirely altered since 1844, and the Act does not meet the difficulties of these times which were far less prominent then. In saying this I do not wish to be supposed to bring any charge against the management of the Bank of England. The Bank of England has maintained that proportion of reserve to liabilities which it has considered needful for it own protection. If, however, we look down col. 24 of Table 15, the column which contains the average banking reserve of the Bank of England, and compare it with col. 22 of the average rate of discount, we shall see that there is a very close connection between the two. This becomes even more obvious when we study the details. The space

* Statistical Society's *Journal*, 1854, p. 297. These variations continue to the present time, and were ably commented on by Professor Jevons in the Society's *Journal* for 1866.

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at my command renders this impossible; but the details will be found in a very careful paper on the Bank of England, published in the "Bankers' Magazine" for November, 1872, signed "N." If we also compare the amounts in col. 24 of Table 15, with the estimate of banking deposits in Par. XII, of banking reserves in Par. XIII, and the rates of progress of the crises in 1847, 1857, and 1866, described in Par. XIV, we can arrive at but one conclusion—that the banking reserves of the country have not expanded in proportion to the banking liabilities. An investigation of these statements will, however, also lead to the belief that a sufficient general banking reserve would not be one which it ought to be difficult to provide. The expense which such a reserve would entail, might be regarded in the light of an insurance on the safety of the business of the country. Considering the devastation which a crisis inflicts, the cost of such a reserve, if it were sufficient to mitigate the severity of a crisis, would probably be far smaller than the losses now experienced at such times. In times of pressure, I have always believed the saying of that most prudent statesman, the late Sir G. C. Lewis, to be correct, that "the Act of 1844 goes on for ten years "doing so much good, that you think, practically at least, nothing "can be better, and then for one week in ten years it on a sudden "works so much harm that you begin to doubt whether it is a good "Act after all." And I have watched from time to time, and with great regret, the operation of those minor provisions, which, dealing as they do with the provincial note circulation, appear to me entirely separable from the main intention of the Act, and far from beneficial in their working.*

I cannot quit this part of the subject without expressing my complete concurrence in the opinion of the late Mr. James Wilson, expressed during the debate on the commercial crisis, 30th November, 1847, that "he believed the great error into which we had "fallen was the confining our attention too much to the subject of "circulation, and not directing it sufficiently to the subject of capital, "capital being represented by the amount of the deposits in the "hands of the bankers."

By "circulation" Mr. Wilson meant, of course, the note circu-

* I do not intend to say that in the year 1844 I had, or was competent to have, a distinct opinion on these points, but I well remember that about that period I was staying with those friends with whom I was afterwards associated in business, and who are all now gathered to their rest; and I remember well the one of them (the late Mr. John Brightwen), who was the most competent to give an opinion, saying to me, that he considered the result of these alterations would, as their influence extended more and more, tend more and more to increase and augment the numbers of the changes in the Bank rate of discount. His words, as well as I can remember them, were, "Watch it, and you will see." I think the results bear out the anticipations of his long tried sagacity.

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lation, which, as shown in Table 14, now forms but a very small part of the circulating medium of the country. The real circulating medium, in the sense of the movement of money, is now no longer in notes, nor even in bills as much, proportionally, as it has been, but in cheques. The circulation of bills is now smaller in proportion to the amount of banking capital than it was twenty years ago. And, as far as I can ascertain, at an earlier period still, bills formed a considerably larger part of the circulating medium. We thus see how one method of transacting business succeeds to another. At the earliest period notes were found most convenient; and at an early period also, bills. Both in their turn become to a great extent superseded, in proportion as the modern system of deposit banking extends. As deposits enlarge, and the use of cheques, by which deposits are put into circulation, enlarges also, it is to this portion of the circulating medium that attention should now be directed; taking care, however, not to lose sight of the subject as a whole.

IX.—*The Bank Notes Issue Bill, proposed in* 1865, *and the English Country Note Circulation.*

The proposed legislation of 1865 had but little to recommend it. It presented rather the appearance of an Act of Parliament prepared to meet a particular difficulty, than a well-considered scheme of national legislation.

The most useful provisions proposed at that time were those in Clause 5, which allowed the number of partners to be increased beyond that of six, and permitted a bank of issue to have a London office without, as at present, forfeiting the right to issue notes; and also that one in Clause 6 which permitted the transfer of the right of issue from one bank of issue to another bank of issue. The points which appeared to me the most objectionable, as I understood the proposed Act at the time, and since, were—

I. That the power to receive a transfer of the right of issue was limited to those banks which possessed the right in 1844. The result of this would have been to prevent the right of issue from being moved to those banks, and to those parts of the country which require it the most. I shall recur to this point further on.

II. That this privilege was to be further confined to those banks which agreed to pay an increased percentage on the circulation. As some banks would have been certain to have continued their note issue under the provision of the Act of 1844, which only levied a duty of 7*s.* per cent. on it, this would have caused the circulation to be issued under two different arrangements, instead of one broad principle.

III. That this right of issue was limited to a period of less

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than ten years. This allowed so short a time for the privilege of issue as practically to render it almost worthless.

IV. That the percentage of duty proposed to be paid was too high. The percentage was at first put at 45*s.* per cent., afterwards 25*s.* per cent. was proposed. The reason for the selection of these rates was a good deal discussed at the time. I remember pointing out, in a letter to the Committee of issuing country bankers at the time, that Mr. Gladstone might have been guided by the following reasons in proposing the rate of 45*s.* per cent.

The amount of the issue of the Bank of England against Government securities, directed by the Act of 1844, was 14 millions. The profit on that amount was estimated—

	£	£
At 3 per cent. per annum		420,000
From this profit the following deductions were to be made—		
Cost of circulation	117,000	
Commission 1*s.* to other banks issuing Bank of England notes	24,000	
Stamp Office (composition for duty)	60,000	
Payment for charter	120,000	
		321,000
Leaving for profit		99,000
If the profit were assumed as, above, at 3*l.* per cent.		420,000
A deduction made from it of 45*s.* per cent. would have been		315,000
Leaving for profit		105,000

The close approximation of these figures led me to think that this was the basis of the calculations followed. The rate of 25*s.* per cent. appeared to me to have been based on the following calculation:—

	£	£
From the payments stated as above		321,000
There was probably deducted in making the calculation—		
The cost of the circulation	117,000	
And the commission to other banks	24,000	
		141,000
Leaving the payments for the charter and the composition to the Stamp Office		180,000

As a tax of 25*s.* per cent. on an assumed profit of 420,000*l.* would have amounted to 175,000*l.*, it does not seem improbable that Mr. Gladstone may have taken the 180,000*l.* paid by the Bank of England for the two heads above-mentioned, as the ground for proposing this charge.

It is evident, however, that even this reduced charge of 25*s.* per

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cent. was too high a proportion to levy on the issue of country bankers, who have no exclusive privileges like the Bank of England, and that therefore the payment "for the charter" should have been left out of the account. If this were deducted, the rate of duty on the country issue, to correspond with the 60,000*l.* paid by the Bank of England to the Stamp Office, would be below 10*s.* per cent. The existing rate of 7*s.* per cent. may therefore be taken to be a very fair one.

V. That the existing arrangements as to licences for compounding for the issue of notes and short bills (not exceeding twenty-one days' date and three days' sight) were to be continued.

The manner in which the licence duty is levied at present has a tendency to fetter country bankers very much. A payment of 30*l.* a-year for the privilege of compounding for the issuing notes and short bills, is much too high a tax for a branch bank to pay in a small place. The whole profits from such a bank must be very small. A payment of 5*l.* a-year would be quite sufficient, and I believe that the revenue would be a gainer by the change.

VI. That security was not required for the circulation.

Sir D. Salomons proposed as an amendment, "That previous to "any bank of issue having a house of business or establishment as "bankers in London, or at any place not exceeding sixty-five miles "from London, such bank shall deposit with the Commissioners of "the National Debt an amount of exchequer bills or other Govern-"ment securities equal to its maximum authorised issues, to be "retained by the said Commissioners so long as such bank shall "continue a bank of issue with a house of business or establishment "in London, or within sixty-five miles thereof."

This amendment would not, however, as it stood, apparently, have entitled the holders of notes, against which such securities had been deposited, to have demanded payment from this source in case any default had been made by the issuer. And it is not easy to see why such a provision should have been confined to the banks within sixty-five miles of London.

It has appeared to me, in thinking the matter over, that it would now be desirable to unite the existing country circulation in one total, that the part of it which the Act of 1865 was intended to restore, should be restored, and that security should be given for the whole. It would be quite feasible to combine this with the preservation of the rights of issue at present exercised, and to make arrangements for cashing the country notes in gold or in Bank of England notes at various banking offices throughout the provinces. I do not propose to give further details here. The arrangement might be carried out in various ways, and would, I believe, be of great service to all concerned. There is a very apposite remark of

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Mr. Huskisson's, which I may quote: "Of a paper currency there "are two sorts, the one resting upon *confidence*, the other on "*authority*." I believe that the country note circulation thus regulated, endorsed, as it would be, by first-rate names, backed by ample securities, and convertible with readiness, would rest on the best foundations a paper circulation can rest on, and would possess the well-deserved confidence of the public. I believe that this paper currency would be found to vary only as a paper currency should vary—according to the requirements of the country, and that the adopting it would, in conjunction with a modification of the existing regulations as to holding gold against the excess of the Scotch and Irish circulation beyond the limits of 1845, cause a great mitigation of the autumnal drain for gold and bank notes. This regularly recurring demand, swelled as it is by two opposing yet concurrent influences, the autumnal holidays and the autumnal expansion of business, becomes every year more formidable in its extent. Every year the stream appears to extend, and the current to flow stronger. I quote from the "Times" a statement, supplied by Mr. John Newton, of the extent of these requirements, and I cannot but believe that as they do not represent a drain induced by the state of the foreign exchanges, but merely a demand occasioned by domestic wants, they would be, to a great extent at least, completely and effectually met by a note circulation designed for domestic use:—

"The following figures* give the approximate amount of gold "taken into provincial circulation during the continuance of these "summer and autumn drains upon the Bank for the last five years, "of course after making the needful allowances for the bullion "operations reported on foreign account:—

Periods and Dates of Bank Returns.							Amount of Coin taken into Circulation.
							£
20 weeks from and including		3rd July	to	13th November,		1872	4,495,000
19	„	5th „		8th	„	'71	4,674,000
20	„	6th „		16th	„	'70	3,740,000
19	„	7th „		10th	„	'69	2,806,000
20	„	1st „		11th	„	'68	4,000,000

X.—*Fluctuations in the English Country Note Circulation in* 1847, 1857, *and* 1866.

While dealing with this part of the subject, there may arise in the minds of some a remembrance of a speech made by Mr. Gladstone in 1866, in which he asked, "What part has been played during this "period by the country bank circulation? Had it been found "available for the wants of the country? There has been an

* From the "Times," 4th December, 1872.

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" immense demand for notes and coin. If the country bank circu-
" lation had been in a satisfactory state, it is evident that not only
" the notes and coins of the Bank of England, but those of the
" country banks themselves would have been largely drawn upon.
" Instead of that, however, we have actually seen the country bank
" circulation diminished by not less than a million at the very time
" of this drain upon the Bank of England." The same results are also stated to have been exhibited in the crises of 1847 and 1857. On examining into this point, I find that the drop in the circulation referred to by Mr. Gladstone took place between April or early May and August. The figures are as follows :—

Total of Issues of Notes, Private and Joint Stock Banks in England.

1866.	£
7th April	5,632,710
12th May	5,568,744
25th August	4,639,955

The drop is nearly a million. The question is, whether this contraction in the circulation was due to panic alone, or whether any other causes had any influence on it. There are several points to be considered. As is well known to every provincial banker, there takes place usually, though certainly not to the full extent occurring in 1866, a drop in the circulation between May and August in every year. If we refer to Professor Jevons' paper on the pressure in the money market (*Journal of the Statistical Society*, 1866) we shall find there the extent of the ordinary average diminution carefully tabulated.* The 6th of May may be taken as occurring in the eighteenth or nineteenth week of the year, the 5th of August in the thirty-first or thirty-second. The figures are as follows, and represent the average variations from week to week of the note circulation of the English private and joint stock banks, 1845-62 :—

Average Circulation.

[0,000's omitted, thus £6,92 = £6,920,000.]

	£		£
In the 18th week	6,92	In the 19th week	6,90
„ 31st „	6,37	„ 32nd „	6,35
Diminution	55	Diminution	55

* This is also clearly indicated to the eye in Professor Jevons' very careful diagram showing all the weekly accounts of the Bank of England, the state of the circulation, and the Bank minimum rate of discount for the years 1844-64 inclusive, published by Edward Stanford.

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The actual amounts were as follows, from 1855 to 1864:—

TABLE 16.—*Total Country Bank Note Circulation in England, Compared in the First Week of the Months of May and August*, 1855-64 *inclusive*.

From the statements in the "Miscellaneous Statistics."

		£	Less in August than in May. £
1855	5th May	7,076,197	
	4th August	6,524,189	552,000
1856	3rd May	7,073,262	
	2nd August	6,544,615	528,647
1857	2nd May	6,978,696	
	6th August	6,365,263	613,433
1858	1st May	6,236,523	
	7th August	5,801,968	434,555
1859	7th May	6,608,263	
	6th August	6,199,901	408,362
1860	5th May	6,613,742	
	4th August	6,302,371	311,371
1861	4th May	6,321,787	
	3rd August	5,683,793	637,994
1862	3rd May	6,369,507	
	2nd August	5,797,498	572,009
1863	2nd May	6,261,475	
	8th August	5,772,951	488,524
1864	7th May	6,312,837	
	6th August	5,864,744	448,093
			4,994,988

Note.—Average of ten years, 499,500*l.* diminution in August as compared with May.

Showing an average diminution of about half a million. To that extent, therefore, the decrease in the country note circulation was doubtless due to the ordinary course of events operating that year as well as other years, and causing the circulation to vary in obedience to the ordinary requirements of the country. Another event also influenced the country note circulation in 1866. It was the year during which the National Provincial Bank was discontinuing its issues.

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	£
On the 7th April these were	102,770
„ 12th May „	81,323
„ 28th August „	43,447

A further diminution of nearly 60,000*l.* is, therefore, owing to this cause. This, added to the ordinary periodic contraction of about half a million, satisfactorily accounts for nearly 600,000*l.* out of the 1,000,000*l.* referred to by Mr. Gladstone. Nor did the circulation of the Bank of England remain at its maximum during the whole of the period under notice.

If we look to the circulation of the Bank of England, we shall find it to be as follows:—

Bank of England Circulation.

1866.	£
4th April	22,332,615
16th May	26,120,995
29th August	23,898,510

Here again Professor Jevons' tables will assist us to a correct understanding of the question. The Bank of England circulation is at least as high in the thirty-fifth week as in the fourteenth week of the year—the weeks most closely corresponding to 4th April and 29th August—usually there is a small rise in the circulation of the latter week as compared with the earlier. There is in 1866 a very great expansion between 4th April and 16th May, corresponding to the requirements of the crisis; but if we take the circulation as between 16th May and 29th August, there is a diminution of more than two millions. There is little or no doubt that the sudden rise in the circulation of the Bank of England during May, 1866, amounting to nearly four millions, was owing to the desire of the bankers generally to keep strong reserves of "legal tender" money at hand. Bank notes, being more portable than gold, were preferred by many bankers. An analysis of the returns obtained by Sir D. Salomons of the various denominations of notes issued, shows that of the rise of 3,800,000*l.* between the 4th April and the 16th May, 1866, only 1,400,000*l.* was in 5*l.* and 10*l.* notes, the remainder, 2,400,000*l.*, was in notes varying in size from 20*l.* to 1,000*l.*, the descriptions which are principally kept in reserve by bankers. It is hence probable that a very small increase indeed took place in the circulating medium in a strict sense at that time. Hence, a comparison between the Bank of England and the country bank note circulation at that period proves very little as to the real position of the issuers of these notes.

We will now consider the contraction of the circulation during the pressure in 1847 and 1857. The main fall in the issue of the private and joint stock banks in 1847 and 1857 took place between

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the early part of October and the end of each year, and was as follows:—

Total of Issues of Notes.—Private and Joint Stock Banks in England.

1847.	£	1857.	£
2nd October	7,558,245	3rd October	6,952,915
18th December	5,903,554	26th December	5,450,153
Diminution	1,654,691	Diminution	1,502,761

Professor Jevons' tables inform us that the—

Average Circulation of the Private and Joint Stock Banks, England,

[0,000's omitted, thus £6,98 = £6,980,000.]

	£		£
In the 41st week is	6,98	In the 42nd week is	7,06
„ 51st „	6,41	„ 52nd „	6,41
Average diminution	57	Average diminution	65

Hence the usual diminution at that time of the year is about 600,000*l.*

To this extent, therefore, the contraction is due to the ordinary causes in operation.

The circulation of the Bank of England was, at the same dates—

1847.	£	1857.	£
2nd October	19,577,278	3rd October	19,947,275
18th December	18,615,039	23rd December	19,257,120
Diminution	962,239	Diminution	690,155

This drop is rather less than what Professor Jevons' tables might lead us to expect, but the bank note circulation is influenced by the quarterly payments on account of the Government to such an extent, that a comparison between it and the issues of the other banks is of less use as a guide when these periods intervene. I have, however, been able to show that a very considerable portion of the diminution in the country note issues was due to ordinary causes, while the circulation of the Bank of England fell at times when, from the remarks made, one would have expected to find an increase in it instead of a diminution. It is desirable, also, to mention that if this drop in the note circulation of the country banks is taken to denote a diminution of confidence in them, that point is by no means clearly proved. Accurate statements, not only of the amounts of deposits held, but of the position of the overdrawn accounts, would be needed to show whether this was the case. A high premium is offered at all periods of pressure for the reduction of the circulation through the rate of interest allowed on deposits, and the enhanced charges on

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overdrawn accounts. Through these means an influence is exerted which accounts for a considerable portion of the diminution of the provincial note circulation at all times when the rate of interest is high.

It is obvious that a great part of the contraction in the country note circulation in 1847, 1857, and 1866 was due to the ordinary causes which lead to a contraction at certain periods of the year, and that another, and a very important, influence in causing the diminution, was the high rate of interest prevailing at the time.

XI.—*The English Country Note Circulation, within and beyond the Sixty-Five Mile Circle round London, and in the Agricultural and Industrial Districts of the Country.*

The extremely local nature of the existing country note circulation, the small amount of each individual authorised issue, and the manner in which the averages of the issue are compelled to be taken under the Act of 1844, all tend to cause the amount of notes actually in circulation to be considerably below the limits permitted.

I have classified the issues of the various English banks according to the amounts of each issue in December, 1872. By the following table we see how small the individual issue of most of these banks is—

TABLE 17.—*Classification of the Issuing Banks: Designed to Show that a Large Proportion of these Banks Issue Individually to a Small Amount only. Amounts in Circulation, December,* 1872; *the Total Average Circulation of that Month was* 5,141,989*l.*

Thousands.	Number of Banks.	Thousands.	Number of Banks.
Under 1	1	Over 25 and below 26	1
Over 1 and below 2	1	„ 26 „ 27	2
„ 2 „ 3	6	„ 27 „ 28	3
„ 3 „ 4	2	„ 28 „ 29	4
„ 4 „ 5	3	„ 29 „ 30	2
„ 5 „ 6	7	„ 30 „ 35	13
„ 6 „ 7	5	„ 35 „ 40	9
„ 7 „ 8	5	„ 40 „ 45	5
„ 8 „ 9	4	„ 45 „ 50	8
„ 9 „ 10	10	„ 50 „ 55	4
„ 10 „ 11	3	„ 55 „ 60	3
„ 11 „ 12	9	„ 60 „ 65	1
„ 12 „ 13	4	„ 65 „ 70	2
„ 13 „ 14	5	„ 70 „ 75	3
„ 14 „ 15	6	„ 75 „ 80	—
„ 15 „ 16	—	„ 80 „ 85	3
„ 16 „ 17	2	„ 85 „ 90	—
„ 17 „ 18	3	„ 90 „ 95	3
„ 18 „ 19	5	„ 95 „ 100	—
„ 19 „ 20	9	„ 100 „ 150	3
„ 20 „ 21	3	„ 150 „ 200	—
„ 21 „ 22	4	„ 200 „ 250	—
„ 22 „ 23	4	„ 250 „ 300	1
„ 23 „ 24	2		
„ 24 „ 25	3	Issuing banks in all	176

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Within the limit of a circle of sixty-five miles from London there is no joint stock bank of issue, nor any branch of the Bank of England; and here no less than forty of the one hundred and twenty private banks which have the right of issue are situated. Classifying the country circulation according to this division, we find in December, 1872—

	£
40 private banks within the circle authorised to issue	1,203,517
80 „ beyond „	2,747,492
	3,951,009
56 joint stock „ „	2,738,640
	6,689,649

But the amounts actually in circulation differ very considerably from those that are authorised. They are as follows. The average for 1870, and the amount actually in circulation on the 30th November, 1872, are given for the purpose of comparison:—

	Actual Issue.	Below Limit.
40 Private banks within the circle—	£	£
Average, 1870	623,946	579,571
30th November, 1872	658,238	545,279
80 Private banks beyond the circle—		
Average, 1870	1,962,269	785,223
30th November, 1872	2,021,999	725,493
56 Joint stock, all beyond the circle—		
Average, 1870	2,298,345	440,295
30th November, 1872	2,365,404	373,236

The total circulation according to this division was—

	Average, 1870.	30th November, 1872.
	£	£
Within the circle	623,946	658,238
Beyond „	4,260,614	4,387,403
	4,884,560	5,045,641

The issue within the sixty-five mile circle has diminished since 1844 more rapidly than that beyond.

In 1844, Sir Robert Peel mentioned in his speech on the 6th of May, introducing the resolutions on which the Bank Act was subsequently framed, that the circulation of country notes was—

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	£
Within the sixty-five mile circle	1,329,477
Beyond „	6,728,497
	8,057,974

In 1853, Mr. Gilbart stated that in the year 1853, for the months of April, August, and October, the circulation was as follows:—

	Authorised Circulation.	Actual Circulation.		
		April.	August.	October.
	£	£	£	£
Within the circle.....	1,303,318	1,010,932	940,184	984,581
Beyond „	6,639,148	5,984,749	5,642,739	5,905,257
	7,942,466	6,995,681	6,582,923	6,889,838

In round numbers, the circulation within the sixty-five mile circle was—

In 1844	$\frac{1}{5}$th
„ '53	$\frac{1}{6}$th
„ '72	$\frac{1}{7}$th

of the whole circulation. Hence it is obvious that nearness or distance from London has, as might be expected, a great influence on the amount of the circulation. It will be observed, also, that it is the actual issue rather than the power of issuing, which has diminished within the sixty-five mile circle. The diminution is probably rather to be attributed to the increased facilities for communication, and to the alteration in the circumstances of the district, than to any other cause. In 1844, and even in 1853, railways were comparatively few, and many places, comparatively close to London, preserved the character of rural districts; now every town within fifty or sixty miles of the metropolis is practically a suburb of London. The notes are less required, and stay out a shorter time. The use of cheques also tends greatly to economise the use of notes. If we make another division of England, and separate the agricultural counties from the remainder of the country, we find that the power of circulation also lies principally in the agricultural districts, where the Act of 1844 found it and left it, and where the notes are no longer so much needed. As noticed in the "Quarterly Review" for July, 1847: "The distribution of the greatest masses of the provincial circulation, "so far from being coincident with the districts of greatest popula- "tion, greatest trade, and greatest activity and enterprise, is in "point of fact, coincident with the districts where population and "trade are alike of the most stationary character."

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On analysing the average issue for 1870, and dividing it between the agricultural and industrial districts of England, on the basis given in the census of 1861, I find that in the agricultural districts the issues are, in proportion, more below the authorised issue than in the industrial. It has not seemed necessary to give each individual issue. The general results are as follows:—

	Authorised Issue.	Average Issue, 1870.
	£	£
Agricultural counties	3,041,829	2,049,099
Industrial „	3,647,799	2,835,440
	6,689,628	4,884,539

This shows that if the unused power of issue were removed from those districts where it is no longer needed, to those in which industry is more active, the amount actually in circulation would correspond more nearly to the authorised issue. This analysis of the country note circulation is given here, as it may enable those unacquainted with the subject to understand its practical working more clearly.

XII.—*General Observations on the Present Position of Banking in the United Kingdom, and Comparison with Earlier Periods.*

Having thus surveyed the principal divisions of the United Kingdom, we may make a general recapitulation. This will be as follows:—

	£
English bankers generally, total resources	451 millions
Two-fifths of deposits of discount houses	32 „
	483 „
Scotch banks	92 „
Irish „	41 „
	616 „
Foreign and British Colonial banks having offices in London	152 „
	768* „

* The amounts with savings banks in the United Kingdom at the same date were—

Trustees savings banks	39 millions.
Post office	17 „
	56

making with the sums above mentioned 824 millions.

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We can now compare this statement with the position of matters in 1851. At that time, as Mr. Newmarch informs us, there were in England and Wales, exclusive of London, "about 900 bank "offices—not separate banking firms, but 900 places where the "business of banking, either by means of a central office, or a "branch office, is daily carried on. After considerable inquiry and "reflection, I believe that, one with another, the amount of capital "of all kinds employed by these 900 bank offices is certainly as "much as 100,000*l.* each. When I say capital of all kinds, I mean "the private capital of the partners and shareholders of the banks "invested in their business; the capital placed in the banks by "depositors, and by those who keep banking accounts, and the capital "acquired by means of the circulation of country bank notes."

Mr. Newmarch's general estimate of the position of affairs in 1851, was as follows:—*

Capital Wielded by Country Banks.

		£
900	bank offices in England and Wales at about 100,000*l.* each, or, say	97,000,000
360	bank offices in Scotland at about 100,000*l.* each, or, say	36,000,000
1,260		133,000,000
170	bank offices in Ireland at about 100,000*l.* each, or, say	17,000,000
1,430		150,000,000

Capital Wielded by London Bankers.

35 city bankers (private and joint stock) 1½ million each		44,000,000
16 west end		20,000,000
Bank of England	12,000,000	
„	24,000,000	
		36,000,000
Insurance offices, &c., deposits with bill brokers		10,000,000
		260,000,000

This is perhaps the earliest, certainly the most accurate, estimate existing of the state of affairs in past years.

There is no similar estimate in Porter's "Progress of the "Nation," nor in the portion of the "History of Prices" written by Mr. Tooke, nor can I find in any work on banking any earlier statement. I have made investigations in other directions, in the Report and Evidence of the Committees of the House of Commons on the Bank Charter, 1832; on Commercial Distress, 1847; on the Bank Act, 1857, and elsewhere; but I cannot find any indication, except a rough estimate in a pamphlet published by Effingham

* Statistical Society's *Journal*, vol. xiv., pp. 166—173.

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Wilson, in 1834. In this the deposits of the London bankers are calculated as being—

In the city	15	millions
„ west end	9	„
Private deposits at Bank of England	5½	„
Total	29½	„

From this a sum of 3 millions is deducted as belonging to country bankers, leaving 26½ millions for London deposits. There is also a calculation made by Mr. J. G. Hubbard, for the date 1832-41, that the deposits held by country bankers were not less than from 16 to 20 millions,* which I believe to have been very considerably below the mark; and another, probably far nearer the real state of the case, given by the late Mr. James Wilson in his speech during the debate on the commercial crisis in 1847, in which he reckoned the total number of banks in the United Kingdom at 1,600, and their deposits at from 200 to 250 millions.

As these are very general statements, I have to take 1851 as the starting point for this inquiry. The vast extension of business since that date is most surprising. It will be better to add (that it may correspond with the present one) to Mr. Newmarch's estimate of—

	260 millions	
the	25 „	belonging to the foreign and colonial banks in 1851
	285† „	

By comparing this estimate with that of 768 millions held at the present time, we can see how extremely the conditions of the business have altered during the last twenty years. In the course of my observations on the note circulation, I have shown, by a comparison of the rate of increase in the amounts of exports and imports combined and that of the amounts passed through the Clearing House, that the rapidity with which money circulates is infinitely greater now than it was in 1844. I have shown also that the rate of progress is continuous since 1868, the earliest period to which the published returns of the Clearing House extend. The great significance of this rapid increase in circulation is very obvious, as is also the influence which it may exert in any future period of pressure. It is now desirable to endeavour to investigate the amount of cash held in reserve to meet these very considerable liabilities.

* "Report from the Select Committee on Bank Acts, 1857," Appendix, p. 11.

† We must bear in mind the 30 millions of savings bank money at that date, making in all 315 millions.

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XIII.—*Banking Reserves.*

I should have felt an almost insuperable difficulty in approaching this part of the question had it not been that a very unusual prominence has recently been given to it. In November last Mr. Thomson Hankey, one of the most assiduous and best known of the directors of the Bank of England, wrote a letter to the "Times" inviting attention to the subject.

Mr. Hankey stated:—

"The principle on which banking is carried on in London is the "employment of deposits in what are ordinarily called good bank- "ing securities, such as bills of exchange, short loans, and Govern- "ment stocks, to such an extent as it is believed may confidently be "relied on as the minimum amount that will always be left in hand, "reserving always, however, a fair margin, adequate and even more "than adequate to meet any unusual withdrawal of such deposits. "But few bankers would deny that the sudden withdrawal of one- "third of their deposits can only be met by a sudden realisation of "assets usually employed profitably in banking investments. So it "would be with the Bank of England—the sudden withdrawal of "the balances of the London bankers could only be met by an "adequate realisation of banking assets, of which, however, the "Bank has always an available amount."

Sir John Lubbock, in commenting on this letter, remarked that—"The total reserve of the Bank of England was, according to the "account of the 7th instant, 9,000,000*l.*, against 25,000,000*l.* of "deposits. Mr. Hankey estimates, however, in his letter, that the "London bankers' balances are one-third of the whole deposits held "by the Bank. Hence, as one-third of 25,000,000*l.* is 8,300,000*l.*, it "follows that while the whole reserve held by the Bank of England "is 9,000,000*l.*, no less than 8,300,000*l.* is due to the other London "bankers."*

Other estimates have been made, of these some were smaller. We may accept Sir John Lubbock's estimate as a probable amount, especially as being made by one who is himself interested in the matter. It appears to me to be the natural inference from Mr. Hankey's letter. We will proceed to consider the amount of cash probably kept in hand and at call.

In some of the many banking balance sheets which I have

* A letter to the "Economist" of 1867, p. 1217, signed "Δ," shows the form which the accounts of the Bank of England would take if the balances belonging to other banks were deducted from the deposits, and a corresponding deduction made from the coin and bullion in hand. If the accounts were made out in the form proposed in this letter, it would at once become obvious how small the actual specie reserve is, and that the bankers' balances might, at certain times, exceed the total amount of the banking reserve.

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examined in preparing the groundwork of this statement, the amount of cash in hand is stated separately, but in most it is mixed together with money held at call, and investments in Government securities. Such assets as the last-named two, immediately or at least very readily available, strengthen very greatly the security of a bank. The proportion of the sums so held to deposits and acceptances varies from 15 to 40 per cent. An average of from 25 to, say, 30 per cent. of the liabilities held in ready money cannot be considered other than a very fair proportion. But can these assets be all regarded as strictly cash? Mr. Hankey obviously thinks that they cannot. He would define cash to be either Bank of England notes or gold. It may seem at first sight almost impossible to ascertain with any degree of accuracy what proportion of the assets of bankers are held in that shape. One feels inclined to wish that the statements of our bankers were made out in the form employed in Sweden, as then this point would always be accurately known. The subject is so important that I have inserted one of the quarterly statements published in Sweden in the part of the paper devoted to that country, and as statements of sums in foreign money may not be generally intelligible, I have reduced the amounts to English money. The amounts held in money, notes of the Riksbank (Bank of Sweden), and on running accounts with the Riksbank, are given in cols. 27 and 28 of Table 20. The proportion of Riksmynt (legal tender money) held to notes in circulation is given in col. 1 of Table 19. But though it may not be possible, except in the case of the Scotch and Irish banks, to approach a similar exactness of statement for the United Kingdom, I think we may form some idea of the limits within which the amount of cash held must be bounded. We will commence with what is known on the subject; that is, with the cash held by the Scotch and Irish banks.

The amount of coin held by the Scotch and Irish issuing banks is published with the returns of their note circulation. The average amount held for the year 1872 was about 6 millions and a half. Those banks only which are banks of circulation are included in the returns. There were open in the course of 1872 about 813 bank offices in Scotland, and about 309 in Ireland to which the returns refer. The 6 millions and a half of gold and silver coin apportioned equally among these 1,120 bank offices would not average so much as 6,000*l.* to a banking office. I understand that but few Bank of England notes are held by the Scotch banks, and I believe few only in Ireland. Bank of England notes are not at present legal tender in either country. We hardly need, therefore, to make any allowance for the Bank of England notes held by these banks, and may believe 6,000*l.* cash on an average for an office

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to be rather over the mark. Then the question is, how much is held in England? I have made every inquiry possible, and I am told that the average is probably greater in Scotland and Ireland than in England. But I can hardly believe this, when the requirements of English business are remembered. There are in England about 1,680 bank offices in London and the provinces. Taking these at the Scotch and Irish average, their united holdings would be about 10 millions of gold and Bank of England notes. Besides these amounts there are the deposits of the London bankers with the Bank of England. These, as the "Economist" newspaper continually reminds us, are the ultimate reserves of *all* British and Irish bankers. If we assume Sir John Lubbock's calculations to be correct, and take these deposits at about 8 millions, we arrive at the following estimate:—

Cash and Bank of England notes held by English banks, estimate	10 millions
" " Scotch and Irish, say	6 "
Deposits of bankers with Bank of England, estimate	8 "
	24 "

It must be clearly understood that this estimate is of the total reserve in actual money. A little consideration may assist us to see whether the estimate is extravagant or not. The Bank of England circulation may be spoken of, in general terms, as 25 millions.

10 per cent. on this would be	£2,500,000
15 "	3,750,000

If we think the first amount a probable proportion of the circulation of the Bank of England to be dormant on an average in the tills of the bankers generally, and then consider it possible that they might, one with another, hold three times as much specie as bank notes, we shall be led to believe the estimate of 10 millions for the banks in England not an extravagant one. Assuming, then, 25 millions as the probable amount,* the first impression will be, this is a large sum—equal to the whole average circulation of the Bank of England. A reserve, however, of whatever amount it may be in itself, can only be considered large in proportion to the liabilities against which it is held. In endeavouring to estimate these liabilities we are met with two difficulties. In the first place, we scarcely know what the amount for England is, still

* It has been pointed out to me that this sum may be smaller than the actual amount, on account of a larger reserve of notes and gold held by the London bankers, and a larger banking reserve in the Bank of England than is here allowed for. An addition of 5 or 6 millions, making about 30 millions in all, is indicated as a probable estimate. In considering the liabilities the amount of deposits at seven and fourteen days must also be borne in mind; the proportion of these cannot readily be ascertained.

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less what the English liabilities of the foreign and colonial banks are, or what proportion of these latter may be likely to press on the English banking reserves.

I have endeavoured to frame a probable estimate, based on the most recent statements. It is as follows, 12th March, 1873:—*

Deposits of Bank of England, say		34	millions
Proportion of circulation, including bank post bills, not covered by bullion, say		1½	„
Liabilities of London banks	179		
„ provincial „	210		
	389		
Deduct for capitals employed, partly estimated	54		
		335	„
Discount houses, two-fifths of deposits, say		32	„
Liabilities of Scotch banks, including circulation		82	„
„ Irish „		34½	„
		518	„
Foreign and colonial banks, liabilities 120 millions, say, 15 per cent. of these †		18	„
		536‡	„

If we draw the line after the English, Scotch, and Irish banks, the total money reserve will be something like 5 per cent. If we include, as I think we should do, some portion of the savings bank money, and of the liabilities of the foreign and colonial banks, like the proportion indicated, the reserve will be about 4 per cent.§ The first is a twentieth; the second is a twenty-fifth of the liabilities.

It is probable that the improvements in the Clearing House, and the admission of the London Joint Stock Banks to that establish-

* As the deposits are high at this date, it may be as well to give the averages for some years past:—

Deposits of Bank of England, average of ten years, say	25½	millions
Proportion of circulation not covered by bullion, average of ten years	5	„

† While this statement is passing through the press, I have observed that Mr. Hamilton, chairman of the Bank of Australasia, mentioned at the annual meeting of that bank, on 24th March, that about 12½ per cent. of the banking resources of Australia were held in this country. This statement supports my estimate of 15 per cent. very strongly, as in making it I had considered it likely that the conditions of Australian business would cause a smaller proportion of Australian banking resources to be held in this country than of the other colonies. The Australian amounts are about one-third of the whole.

‡ The 56 millions of savings bank money must not be altogether lost sight of in this part of the question. When these sums are added to the figures given above, the total amounts to 592 millions.

§ According to the estimate referred to in the note on the preceding page these proportions will be 6 and 5 per cent. respectively.

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ment, arranged in the course of 1853 and 1854, have occasioned a diminution in the amount of bank notes held by London bankers. A considerable diminution of the highest class of notes (500*l.* to 1,000*l.*) was observed at that time.—"History of Prices," Tooke and Newmarch, vol. vi, p. 559.

A distinct decrease in the London portion of the circulation of the Bank of England, probably attributable to this cause, took place about that date. The effect can be traced from the year 1854, onwards, in Table 15, col. 2, which gives the London circulation of the Bank of England. The Bank of England circulation, as will be seen by that table, did not, for fully twelve years, rise again to the amount at which it had stood in 1853. The average of the sums paid in bank notes during 1839, in settling the clearings of that date, was rather more than 200,000*l.*—"Principles of Money," by John Wade, 1842, p. 79. If the Clearing House settlings had been paid in the same manner in 1872, the proportional amount of bank notes required would have been more than 1,250,000*l.* The amounts which would have been required in notes are now included in the balance of the London banks with the Bank of England.

In preparing this paper, I have had occasion to refer frequently to the collected series of the "Economist" newspaper, now by far the most valuable, indeed, almost the only considerable storehouse of historical business information on these points. After making this estimate, I found one in the volume for 1866 which will show that, while the "Economist" estimate is that the money reserve may be 5 per cent. of the liabilities, their estimate of those liabilities at that date is very considerably below mine at the present time.

The estimate forms part of a comparison between English and American banking, and commences with a statement, that on the 15th of February, 1866, the Bank of England held in cash 34¾ per cent. of its liabilities. "But these reserves, especially that of the "Bank of England, are the banking reserves of the whole country. "The amount of specie held in the tills of the London and provincial "banks of this country is a trifle in proportion to the liabilities; it "is not regulated by those liabilities; it is simply the ready money "of the day. The reserve in the Bank of England . . . . . "ought to be measured by its proportion, not to the liabilities of the "Bank of England only, but to the liabilities of the other banks in "England; we do not know these liabilities, and, therefore, cannot "make the comparison. But when we consider that the liabilities "of three banks only—the London and Westminster, the Union, "and the London Joint Stock—amount to 56,000,000*l.*, while those "of the Bank of England, circulation included, are only 42,000,000*l.*, "we can frame some idea of the vast masses of credit which in "England are secured by that single reserve in the Bank of

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"England . . . . . if the English banks were thrown "together, we doubt if they would hold 5 per cent."

The estimate of the liabilities is contained in one of three very noteworthy articles on the monetary crisis of 1866, communicated to the "Economist" in the course of that year (1st September, 1866). The writer has been referring to the growth of the system of encouraging deposits by interest allowed on fixed sums for fixed periods.

"The effects of deposit-banking must necessarily be enormous, "when it is considered that the sum thus held in London probably "amounts to 150 millions, and in the British Islands must exceed "300, and perhaps reaches 400 millions.

"The advantages of deposit-banking are great. Through its "means an infinity of small sums, some of which would probably "never exist, and others would be wasted without this ready means "of employing them, are collected and utilized. Important objects "of industry are fed with capital, and the general progress of the "country is no doubt greatly promoted.

"On the other hand the system of deposit-banking, as now "carried on, especially in London, the great centre of all monetary "transactions, involves a most formidable risk.

"It is impossible to regard without alarm the possibility of a "fearful catastrophe, when one contemplates the gigantic sums held "practically at call in London, and the insignificant amount of "reserve provided to meet it. How short an access of discredit "would prostrate the edifice, whose superstructure is so vast, while "the foundations are so feeble!"—"Economist." 1st September 1866, p. 1027.

In fact, looking back to 1844, while the reserve of coin and notes (*i.e.* of gold) in the banking department of the Bank of England has increased but slightly, on an average of ten years, since that date,* the trade of the country has increased enormously, and the conditions of that trade have materially altered. Any ebb or flow in the demands of trade (home or foreign) affects the reserve, therefore, much more largely than it used to do. The annual average of the banking reserve is given in Table 15, col. 24; it will be observed that the amounts for the last six years show an increase which it is to be hoped may be maintained. That the reserve is insufficient to the total demands which may now be made on it, is not the fault of the Bank of England. It is the result of requirements gradually and continuously outgrowing the arrange-

* The average for the—

Ten years 1845-54 was	.....	9½ millions.
„ '63-72 „	.....	10½ „

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ments which at one time were more nearly adequate to the purpose. Nearly ten years before 1866, in 1857, a "Banker," writing to the "Economist" newspaper on the insufficiency of the Bank reserve, dwelt most strongly on the necessity of a larger amount being kept available for immediate wants. Commenting on the rapidity with which, in 1857, the Bank reserve was reduced between the 19th of September, when it was more than one-third, and the 11th of November, when it was less than one-eighteenth of the deposits, he said, "I do not see how to resist the conclusion from these figures "that we ought to keep at a higher amount in ordinary times a "reserve which may be diminished with such startling rapidity."*

I may also quote the opinion of Mr. W. Fowler, given in his pamphlet on the crisis of 1866:—"We are gradually being taught "the importance of a sufficient reserve in an available shape; and "the anxieties of the present year will not, I think, have been incurred "in vain, if the attention of the public is drawn to the need that "exists of larger and more numerous reserves, and to the danger of "a general reliance being placed on one establishment."

Swift as was the march of events in 1847 and 1857—in 1866 (as shown in the next paragraph) it was swifter still, and it cannot be doubted that another crisis, when it comes, will, unless proper steps are taken to counteract its inevitable effects, move onwards with even greater and more terrible speed.

I have preferred, in dealing with this most important subject—that of the due proportion of reserve to be held to liabilities—to quote the writings and opinions of others. Their judgments will have a great and well-deserved weight, far greater than any words of mine can have. But it will be a source of satisfaction to me if the collection of those opinions in this place has any effect in causing the subject to be considered, and the banking system of the country to be strengthened and perfected.

XIV.—*On a Crisis in the Money Market.*

It is now possible for us, after considering the statements made in the preceding pages, to arrive at a distinct idea of the causes which drove the last crisis on with such terrible speed.

The "Economist" newspaper, 19th August, 1866, published a statement showing the relative changes in the accounts of the Bank of England in 1847, 1857, and 1866. This points out how much greater the demands for assistance on the Bank of England were in the later than in either of the earlier years, and with what rapidity they were made.

* The "Economist," 1857, p. 1317.

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TABLE 18.—*Account showing the Amount of the Circulation of Notes, Amount of Deposits, Securities, Bullion, and of Reserve of Notes held by the Bank, also the Minimum Bank Rate of Discount at the undermentioned Periods.*

[000's omitted,—thus £19,577, = £19,577,000.]

Week ending	Notes in Circulation.	Public Deposits.	Other Deposits.	Public Securities.	Other Securities.	Bullion.	Reserve of Notes.	Minimum Rate of Discount.
1847.	£	£	£	£	£	£	£	per cnt.
2nd Oct.	19,577,	9,329,	7,961,	11,661,	21,259,	8,565,	3,409,	5½
9th „	19,503,	9,414,	7,713,	11,426,	21,437,	8,408,	3,321,	–
16th „	20,263,	5,496,	8,674,	11,088,	18,963,	8,430,	2,630,	–
23rd „	21,265,	4,766,	8,580,	10,899,	19,467,	8,312,	1,547,	8
30th „	21,764,	4,696,	8,911,	10,613,	20,409,	8,438,	1,176,	–
6th Nov.....	21,318,	4,991,	8,804,	10,598,	19,919,	8,729,	2,030,	–
13th „	20,934,	5,991,	8,312,	10,583,	19,560,	9,258,	2,797,	–
20th „	20,179,	7,219,	7,866,	10,633,	18,791,	10,016,	4,228,	7
27th „	19,860,	7,729,	8,238,	10,946,	18,531,	10,532,	4,986,	–
4th Dec.	19,668,	7,799,	8,441,	10,946,	18,070,	11,032,	5,583,	6
11th „	19,182,	8,229,	8,437,	10,946,	17,630,	11,426,	6,448,	–
18th „	18,615,	8,763,	8,606,	10,998,	17,158,	11,991,	7,551,	–
25th „	18,630,	9,235,	8,243,	11,065,	16,979,	12,236,	7,786,	5
1857.								
3rd Oct.	20,824,	8,243,	10,002,	10,593,	21,835,	10,662,	4,606,	5½
10th „	20,862,	8,502,	9,667,	10,560,	22,398,	10,109,	4,024,	6
17th „	21,052,	4,833,	11,132,	10,254,	20,539,	9,524,	3,217,	7
24th „	20,585,	4,861,	11,263,	10,254,	20,404,	9,369,	3,485,	8
31st „	21,184,	5,160,	11,489,	10,254,	22,197,	8,731,	2,258,	–
7th Nov.....	21,079,	4,871,	11,910,	10,120,	22,628,	8,497,	2,155,	9
14th „	21,036,	5,314,	12,935,	9,444,	26,113,	7,170,	957,	10
21st „	22,235,	5,483,	13,959,	6,407,	30,299,	6,484,	1,148,	–
28th „	22,156,	5,788,	14,951,	5,807,	31,350,	7,263,	1,918,	–
5th Dec.	21,943,	6,072,	14,436,	5,441,	31,191,	7,356,	2,268,	–
12th „	20,953,	6,648,	14,440,	5,434,	30,111,	8,069,	3,900,	–
19th „	20,537,	6,944,	15,077,	5,446,	29,264,	9,450,	5,757,	–
26th „	20,133,	7,428,	15,151,	5,492,	28,088,	10,753,	7,426,	8
1866.								
25th April....	22,588,	4,417,	13,294,	10,694,	18,507,	13,855,	5,844,	6
2nd May....	23,309,	4,922,	13,587,	10,694,	20,380,	13,509,	4,839,	7
9th „	22,806,	5,781,	13,515,	10,894,	20,844,	13,156,	4,950,	9
16th „	26,650,	5,936,	18,620,	10,837,	30,943,	12,328,	730,	10

Note.—Taken from the "Economist," 19th May, 1866, p. 586.

From this statement we see that the reserve of the Bank of England was, in round numbers, before the period of pressure actually arrived—

	£
In 1847	3,400,000
„ '57	4,600,000
„ '66	5,800,000

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But while in 1847 the pressure lasted about a month, and in 1857 rather longer, before reaching the maximum; in 1866 one week was sufficient to reduce the reserve from nearly five millions to less than one.

It is clear, by a comparison between the data given by Mr. Newmarch in 1851, and those which I have obtained, that the circumstances under which business is carried on are very different now, from those existing at any former period.

They may be briefly summed up thus:—

A vast increase in the amount of deposits, larger than the proportional increase in the capital employed in the banks which obtain these deposits.

Greater rapidity in the circulation of money. The Clearing House returns prove this.

A larger and increasing quantity of foreign bills on this country, causing a greater danger, should a demand for gold for export arise in periods of pressure.

A stationary banking reserve; one even decreasing in proportion to the business done.

I have shown by the tables of the circulation of foreign bills how great a difference there is between the proportions of bills drawn by foreign countries *on* this country, and those drawn on foreign countries *by* this country. This difference, it will be observed, enlarges and increases continually; it must tend, at all times, to cause greater fluctuations in the Bank rate of discount, and presents a new source of danger to the banking institutions of this country in times of pressure, especially in the case of a foreign demand for bullion. The holding, and equally the owning, so large a number of bills on England must always give foreign nations a great power over our money market. The current must always have a tendency to flow outwards. It is obvious that the efforts of the Bank of England to turn the exchanges in favour of this country must hence continually meet with a strong and formidable element of opposition. The importance of the subject has been noticed in several papers read before the Society. Attention has also been directed to the point from other quarters, and with the great increase in the number of foreign banks which have branches in this country, it rises into considerable and increasing importance from the need of providing sufficient reserves to meet the requirements thus occasioned.

It is much to be desired that, before the recurrence of another period of pressure, a careful and complete investigation into the position of affairs should take place. I have endeavoured to give in these pages a faithful outline of the principal features of the case,

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but though I have made every effort in my power to obtain correct information, and have been seconded beyond my utmost anticipations by the willing assistance of those whom I have consulted, yet the subject is beyond the powers of any one person, and requires a very complete investigation. This, it is to be hoped, may be made before the approach of the next period of pressure. When such times arrive there is no leisure for inquiry. When the period of difficulty is passed, as the proverb reminds us, it is soon forgotten. The interval of comparative ease is the best time for investigation. Every effort to prevent such a misfortune as a crisis deserves the best assistance of those interested in business pursuits. There are some who speak of panics and crises in a tone almost of levity, as of storms needed to clear the air. This can scarcely be a right feeling for any who have actual experience in these matters. Those who have witnessed, even from a position of safety, the sufferings undergone in such seasons of pressure, will know how necessary it is to endeavour to prevent, if not their recurrence, at least their violence, how desirable it would be to mitigate the misery they inflict. The same careful and prudent judgment which has characterised the conduct of English banking business generally, might surely arrange for some general supervision by which reckless speculation might be nipped in the bud, and incipient over-trading and accommodation transactions rooted out, before they have risen to a height which endangers the rest of the community.

The extreme measures which have been required since the Act of 1844, point out of themselves the necessity for some reform. Three times in twenty-eight years it has been needful to give permission for the suspension of that Act which forms the very foundation of the monetary system of this country. A law can hardly retain the respect of the community when it becomes needful to suspend its operation so frequently. It is regulation, not repression, that is required. The monetary system of this country is now so entirely artificial that it cannot safely be left unregarded.

May we learn a lesson from the experience of a people who depend for their very existence on the careful regulation of natural forces. Entirely artificial as the monetary system is in this country —and by artificial I mean dependent on book credits—it is not more artificial than the water system in Holland. The whole safety of that country depends on a careful regulation of dykes, sluices, and canals. Above the place where the two great branches of the Rhine separate, those branches which, under the names of the Waal and the Lek, contribute generally so much to the prosperity, while at times (when in flood) they are the terror of the Dutch, the care of that prudent people provided many years since, a safety valve against times of overwhelming pressure, in a dam carried across a

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disused and ancient channel of the Rhine. When the waters of that mighty river reach a fixed point at the gauge at Arnheim, a convention with the German Government provides that this dam may be cut. The sacrifice of property would be immense, the extent of country devastated almost beyond belief; but Holland has never hesitated to make any sacrifice needed for the safety of her people. Such, however, has been the skill of the Dutch engineers, so carefully have they adjusted the needed strength of dyke and jetty to the power of the furious stream, the needed extent of sluice to provide an outlet for the accumulated waters, that the contingency has never arisen. It has never been found necessary to cut through that great rampart. The regulation of the current has been complete.

The regulation of the currency of England projected in 1844, has not, hitherto, been equally successful. The complete additional stability then desired to be obtained, has not been obtained. But while the Dutch have had to contend with a current, the force of which, though fluctuating continually in extent, was always calculable within certain limits; we, on the contrary, have had to deal with a stream ever deepening, ever broadening, increasing alike in volume, and in velocity of flow. What we need is a bulwark which shall possess, besides sufficient strength to resist, some power of adjustment to the vehemence of the pressure which may be brought against it. Then, and then only, when such a bulwark has been provided, when such a method of adjustment has been secured, can we expect the stream of our commerce to flow smoothly, whatever proportions it may attain.

XV.—*Banking in Sweden.*

I now proceed to the investigation of the methods of banking in those countries which I propose to compare with our own. There is much useful information to be obtained from observing the practice of other nations, though the circumstances under which banking is carried on, and the character of the business among them, may be in many respects different from those which prevail among us. The first of these countries is Sweden.

It has been aptly observed by Sir John Lubbock, of one of the northern kingdoms, in his work on "Prehistoric Times," that it occupies a larger space in history than on the map of Europe. The same remark applies to Sweden, by far the most important member of the Scandinavian brotherhood of peoples. Sweden may truly boast to have been on several occasions in advance of the remainder of Europe, in the reduction to practice of the ideas of modern civilisation. As the Society is well aware, through the very careful paper of Mr. Frederick Hendriks, on the vital statistics of Sweden,

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the earliest European census, as well as the first accurate tables of serial events, were made in that country. In banking also, Sweden was amongst the earliest nations in perceiving the wants of the time. The use of the bank note in Europe is a Swedish invention. The first bank was founded in Sweden in 1656 by a Swede named Palmstruck. This was nearly forty years earlier than the Bank of England (founded in 1694). The first bank note was issued in 1658. An "enquête," made by the French Government in 1729, recognises the priority of Sweden in this matter, and declares the bank note to be an admirable Swedish invention, designed to facilitate commerce. Palmstruck, like Paterson, was ill-used and driven away, but his bank became the Riksbank (Bank of Sweden) in 1668. This bank still exists, and has always been national property. Though the foundation of the Banks of Venice, Genoa, Amsterdam, and Hamburg is earlier in date, yet they were hardly banks in the same sense as that of Sweden, which was the first institution by which banking, as at present understood, was carried on. In more recent times Sweden, like Scotland, has owed, and owes much of its prosperity to the system of banking established in the country.

I have been so fortunate as to have the materials for this portion of my paper supplied me by M. Wallenberg, the eminent banker of Stockholm, and I am thus able to give a complete description of a very remarkable system of banking hitherto but little known among us. The Swedish banking law has appeared to me so important, that I have added a translation of the Act of 1864, under which the existing banking system of the country is carried on. The provisions of this statute, which owes much of its completeness to the care which M. Wallenberg, who is himself a member of the Swedish Legislature, bestowed on it, are most minute, and admirably calculated to found and preserve thoroughly good and sound methods of banking. The enactments (in sec. 2) compelling, before any bank can be founded, the number of persons associated in the first instance to be not less than thirty, must prevent the introduction of bubble companies. The provision in sec. 5, which forbids any shareholder from retiring from the company during the term of the charter (which runs for ten years), unless with the consent of the annual meeting; and that one also in sec. 6, which compels the names to and from which every transfer of shares passes, to be registered in the proper superior court of law, and also advertised in the newspapers, after the consent of the annual meeting of the Company to the transfer has been obtained, appear most completely contrived to prevent the jobbing in bank shares which has been so great a misfortune in England. Mr. Leeman's bill was designed to prevent this kind of traffic, but it is obvious that the constitution of

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the Swedish banks provides a corrective of a far more efficacious description. At the same time it is very unlikely that this provision, which renders the form of association more like a private partnership than a joint stock company, would operate to the prejudice of any shareholder desiring to sell the shares of a really sound concern. Local buyers of shares of companies in good repute in their own neighbourhoods, will often give high prices for purposes of investment when they are satisfied that the companies are in good working order. The high prices at which shares of water, gas, and insurance companies will frequently sell in England, in their own localities, afford a proof, if any were needed, that the values of such shares depend on the reputation in which the concerns are held, and not on the facility for transfer alone. The length of time during which a shareholder may be compelled to remain connected with a company, is likely to induce caution in his mind before he joins it. A shareholder, under such circumstances, is also likely to be greatly interested in promoting prudence in the management of the company. He cannot transfer his liability at a moment's notice. No man is likely hastily to enter into an engagement which may last for ten years; especially if it is one from which he can in no case be freed except by a resolution formally passed by his copartners. The public notice in the newspapers would also at once draw attention to the fact that a very wealthy or very prominent shareholder in a company had disposed of his interest in it. The whole of the provisions of the Swedish banking law deserve careful attention. They appear remarkably well designed to create and promote a sound method of carrying on business. The Swedish system is the Scotch system, developed and arranged to suit the requirements of the country into which it has been imported. It possesses the best features of the Scotch method, while adapting it to the wants of a country perhaps less richly endowed by nature, certainly far more sparsely peopled than Scotland.

The Swedish monetary circulation consists mainly of silver and of notes issued by the Riksbank (Bank of Sweden) and by the "Enskilda" banks. The latter banks are considered private banks. They are rather to be regarded as large private partnerships, including a great number of members, than as joint stock institutions according to English ideas; the arrangements appear to combine the best features of both systems of partnership. The first "Enskilda" bank dates from 1830, but it was with the establishment in 1856 of the "Enskilda Bank of Stockholm," of which M. Wallenberg was the founder, that the present method of carrying on business was adopted. During the long period of forty-two years, not one "Enskilda" bank has either failed, or suspended payment for a single day. Like the Scotch, the Swedish banks

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include small notes in their issues. The values of the notes are as follows:—

Riks Dollars.	English Money. £	s.	d.
5 say	–	5	6
10 „	–	11	1
50 „	2	15	6
100 „	5	11	2
500 „	27	15	6

The amount of notes in circulation is very large, when the sparseness and condition of the population are taken into consideration.

The total issues on 30th June, 1872, were—

	£
For the "Enskilda" banks	2,984,974
„ Riksbank	1,812,552
	4,797,526

The population of Sweden is given in the "Statistisk Tidskrift" as being 4,168,525 in 1870. The note circulation is therefore fully 1*l.* a-head for the population; as the notes are entirely free and payable in silver on presentation, this is a very remarkable instance of the extent which a note issue based, to use Mr. Huskisson's words, "on confidence," may attain in a thinly-peopled country.*

The credit in which this note circulation is held stands (and justly) so high that there is no part of the country in which the most illiterate peasant will not readily receive the notes, even when issued at the other end of the kingdom. All the "Enskilda" banks are bound by law to cash their notes either in silver or in notes of the Riksbank at their head office. For their own convenience they exchange notes at Stockholm, as that city is the centre of the Swedish money market. Hence a country bank

* It is probable that a Scandinavian union for an international coinage between Sweden, Norway, and Denmark, will shortly be carried out upon the same principles, as regards interchangeability of coin in each country, as those which distinguish the Monetary Convention of December, 1865, at present in force between France, Italy, Switzerland, Belgium, &c. Gold will then become the standard of these countries. A complete description of the proposed international coinage in Scandinavia will be found in a letter from Mr. Frederick Hendriks to the "Economist" of 2nd November, 1872. It is to be regretted that Mr. Hendriks' labours in behalf of international coinage have not received the attention they deserve. His evidence before the *Enquête sur la question monétaire*, held in Paris in 1870, is a very powerful exposition of a difficult technical subject, in a foreign language. The object desired appears at the present time further off attainment even than then. The recent arrangements of the new gold coinage in Germany are likely to impose new difficulties in the way of any extended international coinage, from the fact that the values of this fresh and large gold coinage will not tally with any of the units at present in use in any of the larger coinage systems.

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note issued at 700 or 800 miles distance, is as readily taken anywhere as the bank note issued next door, for the holder is perfectly certain that the next person to whom he has a payment to make, will receive the note without any demur. The credit of the note circulation is maintained by the careful superintendence over the banking system exacted by the laws of the country, and in particular by that provision made in sec. 26 of the Swedish statute law on banking, which compels a certain proportion of the capital of each bank to be invested in sound securities before any bank can issue a single note, and which also provides that every note shall be paid on presentation, either in the current coin of the country or the notes of the Riksbank. The principle on which this enactment proceeds is that any Enskilda bank may issue notes up to—

Three-quarters of its capital;

The cash in hand and the *balance* in its favour at the Riksbank, this balance being regarded as the equivalent of coin; and the amount of cash credit securities which it holds.

'The amount of notes, however, which may be issued, against the last-named securities, is not allowed to exceed one-half of the paid capital. The securities deposited as the basis of the note circulation have to be of a very solid character, either the funded debt of Sweden, or mortgages on landed property not exceeding two-thirds of the value at which it is taxed (this is generally low), and mortgages on house property in towns, within half the value at which it is insured against fire. These securities are deposited under the supervision of a Commissioner appointed by the Governor of the Province. The guarantees thus given for the note circulation are very substantial. It is distinctly to be understood that the system is one of guarantees given. The securities are held for the due performance of the contract; they are not in any way coined into paper money. The regulation of the currency is effectually provided for by the fact that every note is payable in coin, or the legal tender notes of the country, the circulation of which, as will be seen in Table 23, containing the balance sheet of the Riksbank, is largely based on the precious metals. As Mr. Tooke clearly pointed out in the fourth volume of his "History of Prices," a currency, when convertible on demand, cannot be in excess of the requirements of the country in which it is issued. The advantages of such a facility of note circulation is of especial benefit to a population like that of Sweden, so large a proportion of which lives either sparsely scattered over the provinces, or in towns separated at a great distance from each other. The economy in the wear and tear of the coin thus superseded is considerable, while a tangible and very great advantage to the inhabitants arises from the fact that in consequence of the use made of the note circulation, any sum of money is transmitted from one part of

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the country to another, without charge. Drafts on demand for any sums required are issued by all the "Enskilda" banks. These banks are enabled to do this, as the drafts can be readily cashed at any branch bank with their own notes. The banks can thus compete successfully with the post office in the transmission of money from one place to another. In Great Britain and Ireland, on the contrary, bankers are compelled either to stamp each draft, or to pay a heavy sum for licence and composition duty. These charges compel bankers' drafts to be issued at a date, usually seven, ten, or fourteen days' date. This delay, though short, acts as a bar to the freedom of circulation, and enables the British Government, through the post office, to compete successfully and increasingly with bankers, in what is a most legitimate part of their business.

It is obvious, also, that this privilege of a note circulation must in Sweden, as in Scotland, conduce to the advantage of the customer, as well as of the shareholder of the bank. A source of profit is opened out by which the cost of the charges of the bank in the conduct of its business must be materially lightened. The average note circulation in Sweden has rather declined of late; and if the progress of banking in that country corresponds to its early history in England, and in Ireland, it is probable that the note circulation will continue in some degree to decline, in proportion as the inhabitants become familiarised with the advantage of keeping accounts with a bank, and thus learn, by the use of cheques, to economise the note circulation.

The cash credits, and the current accounts, are conducted as in Scotland. The banks charge $\frac{1}{2}$ or 1 per cent. commission on the amount of a cash credit granted for a year. This charge is a commission on the amount of credit allowed, not on the debit cast of the account, which of course is generally many times larger. This arrangement is in some respects preferable to the plan of making a charge on the actual "turn over" of an account—a plan which has a tendency to restrict the amount of transactions between a customer and his banker.

The Swedish banks do not allow overdrawn accounts. The advance must be on a cash credit. Interest is allowed at 2, $2\frac{1}{2}$, and 3 per cent. on money standing on current accounts. On deposits the interest is in proportion to the time for which the sum is deposited, either at one, three, or more months' notice. These rates are such as to induce depositors to prefer the longer periods. It is a great advantage to a bank at a time of pressure, to have a considerable proportion of its liabilities in a form which does not require immediate attention. The particulars of the rates allowed, and also of the charges, will be found in Table 21. A complete abstract of the position of the banks of Sweden will be found in Tables 19 and 20.

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TABLE 19.—*Quarterly Statement, 30th June, 1872,*

Banks.	1	2	3	4	5	6	7
	Proportion of Riksmynt held to Notes in Circulation.	Circulation.		Due.			
		Own Notes.	Bank Post Bills.	On Running Accounts		On Deposit Accounts.	
				Number.	Amount.	Number.	Amount.
		£	£		£		£
1. Skånes	·38	471,464	—	1,167	165,186	4,917	770,798
2. Wermlands	·46	98,717	11,219	288	44,923	840	91,978
3. Kopparbergs	·29	133,316	4,429	169	24,922	1,044	76,102
4. Östergötlands	·80	67,701	11,246	220	22,450	1,006	106,963
5. Smålands	·66	165,330	24,447	334	39,368	847	149,026
6. Örebro	·54	154,996	12,333	322	54,200	699	97,956
7. Mälareprovinsernas	·62	308,757	11,301	426	54,052	1,595	275,779
8. Göteborgs	·51	151,888	9,094	391	124,019	765	174,316
9. Stockholms	1·04	89,598	14,493	1,381	140,726	6,601	710,544
10. Norrköpings	·59	132,054	15,205	283	49,039	1,721	171,980
11. Wadstena	1·15	37,173	6,322	116	30,624	1,024	75,283
12. Hallands	·47	42,795	8,416	72	8,127	423	24,029
13. Sundsvalls	·66	200,919	9,325	253	39,367	636	100,493
14. Christianstads	·26	116,961	4,087	274	26,612	1,337	190,832
15. Wenersborgs	·34	43,861	6,575	176	21,158	844	66,258
16. Skaraborgs	·80	85,784	—	337	29,775	1,708	107,575
17. Gefleborgs	·49	120,535	9,873	273	47,663	680	122,120
18. Uplands	·63	95,106	2,221	435	30,906	3,551	200,986
19. Westerbottens	·49	118,495	8,116	102	17,122	272	43,279
20. Christinehamns	·38	56,589	2,067	129	12,837	330	48,100
21. Borås	·34	28,996	—	141	11,758	384	55,011
22. Södermanlands	·48	36,844	4,935	205	21,660	619	60,202
23. Calmar	·28	78,506	—	143	20,848	745	64,764
24. Gotlands	·13	24,790	4,451	63	6,133	262	25,679
25. Bohus läns	·27	22,740	—	52	5,363	115	20,954
26. Hernösands	·41	101,058	1,979	56	8,766	477	49,082
Total	·52	2,984,974	182,133	7,808	1,057,602	33,442	3,880,091

Note.—The riksdollar riksmynt

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of the Liabilities of the Swedish "Enskilda" Banks.

8	9	10	11	12	13	14	15	16
Due.				Amount of Surplus Account.				
Borrowed at Interest.	Balance of Accounts with other Banks.	Balance of Other Accounts.	Capital.	Reserve Fund.	Undivided Profits from the preceding Years.	Total.	Amount of Cash Credits Granted.	Highest Allowed Amount of Bank Notes not in Circulation.
£	£	£	£	£	£	£	£	£
—	1,753	60,053	360,844	46,513	857	1,877,468	350,533	59,323
—	310	6,551	105,750	5,556	1,932	366,936	84,122	20,825
—	—	6,798	86,567	2,503	3,463	338,100	111,167	3,682
—	—	1,087	75,756	3,591	1,667	290,460	95,664	27,749
—	883	2,609	171,333	3,968	3,427	560,392	217,958	71,525
—	71	3,444	111,111	2,108	4,758	440,976	122,028	12,000
—	—	54,782	182,667	9,862	4,279	901,480	229,667	20,097
27,778	46,732	39,418	166,667	10,709	44	750,664	185,378	48,152
3,682	168,647	15,938	55,556	31,196	33,119	1,263,498	265,983	72,948
—	11,433	6,724	88,889	3,837	1,389	480,550	124,889	25,958
—	685	931	55,556	2,020	—	208,593	60,983	43,344
—	6,723	861	55,556	944	856	148,308	60,217	14,963
33,333	—	28,759	63,889	5,556	2,490	484,131	91,889	10,733
5,556	13,963	4,388	111,111	7,625	—	481,135	120,228	14,031
8,333	3,235	2,047	80,278	4,346	—	236,091	65,492	41,809
—	—	5,460	55,556	2,330	1,889	288,368	88,744	30,374
—	—	4,394	83,333	5,162	556	393,636	88,522	6,559
—	18	6,106	55,556	4,167	2,075	397,141	98,861	10,191
—	—	1,918	94,444	5,556	1,298	290,228	35,450	3,784
8,333	79	4,111	68,889	1,366	2,497	204,868	71,656	8,456
5,556	3,720	5,363	55,556	2,093	—	168,052	56,356	14,266
—	—	1,516	56,500	1,764	146	183,567	59,094	19,763
16,667	4,419	8,280	108,333	1,716	949	304,482	110,050	21,413
11,153	3,444	1,435	57,028	1,335	—	135,448	32,108	19,302
—	—	3,484	55,556	516	—	108,613	16,022	25,459
16,667	5,556	2,630	55,556	1,154	—	242,447	78,386	15,534
137,057	271,671	279,089	2,517,833	167,492	67,690	11,545,632	2,921,447	662,240

is converted as 18 = 1*l.*

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TABLE 20.—*Quarterly Statement, 30th June, 1872,*

Banks.	1 Valuable Effects. Capital Deposited in Bonds.	2 Valuable Effects. Premises.	3 Valuable Effects. Furniture.	4 Claims. Interest-Bearing Bonds and Funds.	5 Claims. On Deposit Account Bearing Interest. In the Riksbank.	6 Claims. On Deposit Account Bearing Interest. In other Banks.	7 Claims. At Call, and Bills Payable at Sight or at Short Dates.
	£	£	£	£		£	£
1. Skånes	270,633	3,127	1,603	106,923	—	—	5,439
2. Wermlands	69,344	4,726	678	—	—	27,778	1,144
3. Kopparbergs	64,925	—	145	2,169	—	30,556	—
4. Östergötlands	45,453	—	—	38,350	—	25,000	—
5. Smålands	127,539	435	318	13,726	—	8,333	2,334
6. Örebro	85,716	—	268	5,988	—	38,889	168
7. Mälareprovinsernas	137,000	12,872	24	49,164	—	—	18,959
8. Göteborgs	113,306	3,303	379	10,285	—	—	—
9. Stockholms	41,564	5,556	662	535,370	—	—	—
10. Norrköpings	66,129	4,555	206	8,649	—	16,667	18,333
11. Wadstena	37,863	1,692	—	—	—	—	—
12. Hallands	37,778	—	182	5,000	—	—	163
13. Sundsvalls	47,771	—	319	20,583	—	—	6,835
14. Christianstads	83,098	—	1,018	115	—	—	5,681
15. Wenersborgs	62,639	—	445	—	—	—	420
16. Skaraborgs	41,667	950	338	—	—	—	—
17. Gefleborgs	62,519	1,916	257	4,842	—	92,056	1,361
18. Uplands	38,159	—	260	83,169	—	—	2,832
19. Westerbottens	57,427	177	188	—	—	29,167	—
20. Christinehamns	41,815	—	776	—	—	11,111	—
21. Borås	33,372	940	150	558	—	—	—
22. Södermanlands	38,785	2,750	278	15,557	—	6,667	3,902
23. Calmar	77,819	1,591	191	14,361	—	—	3,337
24. Gotlands	37,658	162	128	—	—	—	—
25. Bohus läns	41,448	—	72	—	—	—	—
26. Hernösands	41,667	—	142	10,317	—	11,111	11,609
Total	1,803,095	44,750	9,026	925,128	—	297,333	82,517

Note.—The riksdollar riksmynt

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of the Assets of the Swedish "Enskilda" Banks.

8	9	10	11	12	13	14	15
Claims.							
Bought and Discounted Bills.		Outstanding on Cash Credits.		Outstanding Loans.			
				Against Security of Mortgage of Real Estate.		Against Security of Interest-Bearing Bonds and Funds.	
Inland.	Foreign.	Number.	Amount.	Number.	Amount.	Number.	Amount.
£	£		£		£		£
679,334	74,791	1,199	194,108	601	91,106	29	3,934
94,621	—	340	39,912	92	35,458	3	394
71,825	—	201	50,228	61	4,054	—	—
40,337	—	672	48,400	58	8,442	1	25
98,340	7,644	1,734	116,609	197	27,042	10	522
48,357	—	343	56,074	50	25,289	—	—
141,736	—	1,232	125,420	229	51,128	36	22,744
148,780	33,396	541	89,447	179	48,996	6	4,944
151,570	52,611	403	148,228	71	42,414	56	63,432
77,625	13,265	452	64,321	72	35,147	2	106
26,856	—	586	35,824	36	7,417	—	—
8,805	—	377	33,903	14	1,633	—	—
169,126	9,607	176	64,067	20	2,608	—	—
174,304	8,929	579	70,633	118	14,407	5	267
47,161	—	372	36,440	128	10,891	—	—
48,967	—	542	50,022	109	20,791	2	69
54,635	—	178	45,789	20	10,378	1	28
53,390	511	491	44,674	145	17,713	7	452
80,636	—	171	20,383	193	20,276	19	2,706
39,562	—	234	31,396	31	6,872	1	33
26,773	1,503	265	30,167	36	5,153	—	—
13,239	—	440	32,434	150	18,328	5	122
46,881	13,509	537	54,914	232	19,310	2	722
32,092	—	132	19,883	56	8,965	—	—
37,959	—	97	7,244	1	111	—	—
46,784	—	152	58,495	11	2,817	—	—
2,459,693	215,765	12,446	1,569,015	2,910	536,743	185	100,502

is converted at 18 = 1*l.*

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TABLE 20.—*Quarterly Statement, 30th June, 1872,*

Banks.	16	17	18	19	20	21	22
	Claims.						
	Outstanding Loans.						Balances of Running Accounts with other Banks.
	Against Security of Shares, Goods, &c.		Against Bonds with only Personal Security.		Against Security of Bondsmen.		
	Number.	Amount.	Number.	Amount.	Number.	Amount.	
		£		£		£	£
1. Skånes	68	61,229	68	16,777	354	16,037	112,564
2. Wermlands	21	7,931	80	25,075	347	6,328	—
3. Kopparbergs	9	6,107	349	17,342	471	7,361	38,663
4. Östergötlands	2	89	356	21,867	121	4,216	—
5. Smålands	13	1,276	783	36,694	327	13,569	—
6. Örebro	25	24,928	304	62,018	7	3,767	97
7. Mälareprovinsernas	39	9,589	1,533	80,122	391	11,121	—
8. Göteborgs	47	40,194	709	79,947	317	20,918	49,619
9. Stockholms	118	87,066	52	36,267	155	5,556	—
10. Norrköpings	70	45,225	58	25,381	80	6,867	16,602
11. Wadstena	23	7,656	31	2,600	241	35,271	7,785
12. Hallands	3	169	1,119	39,075	—	—	28
13. Sundsvalls	5	1,783	203	7,758	19	1,487	4,160
14. Christianstads	18	2,578	568	21,816	412	10,902	48,657
15. Wenersborgs	1	2,778	1,544	46,783	1	2,222	7,676
16. Skaraborgs	14	14,202	580	32,566	104	4,603	—
17. Gefleborgs	20	13,531	9	4,811	56	3,031	27,745
18. Uplands	10	708	903	31,461	250	5,945	47,761
19. Westerbottens	—	—	465	9,445	464	6,652	—
20. Christinehamns	19	6,261	39	32,346	222	5,043	3,911
21. Borås	6	406	891	46,823	49	4,033	596
22. Södermanlands	14	3,783	303	20,828	73	3,172	—
23. Calmar	5	611	464	25,472	348	10,777	6,959
24. Gotlands	10	572	749	23,384	—	—	4,874
25. Bohus läns	—	—	7	13,889	—	—	—
26. Hernösands	2	528	45	4,455	31	3,019	1,278
Total	562	339,200	12,212	765,004	4,900	191,896	378,974

Note.—The riksdollar riksmynt

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of the Assets of the Swedish "Enskilda" Banks—Contd.

23	24	25	26	27	28	29	30
	Claims.			Balance of Cash.			
Balances of Other Accounts.	Depending on		Total Claims.	Riksmynt in Silver or Riksbank Notes.		Notes of Other "Enskilda" Banks.	Total.
	Lawsuits.	Bankruptcy.		In own Chest.	On Running Account with the Riksbank.		
£	£	£	£	£	£	£	£
41,577	347	860	1,405,026	178,783	—	18,296	1,887,468
3,087	86	—	241,813	45,397	—	4,978	366,936
5,073	22	—	233,399	32,835	5,556	1,241	338,100
2,048	—	—	188,775	48,949	5,556	1,728	290,460
—	91	—	326,180	100,195	—	5,726	560,392
2,146	—	1,550	269,272	78,107	5,556	2,057	440,976
40,389	161	568	551,102	177,966	13,889	8,628	901,480
5,717	—	86	532,330	71,655	5,556	24,136	750,664
—	—	1	1,122,513	70,982	22,222	—	1,263,498
2,156	—	72	330,416	78,074	—	1,170	480,550
257	33	1,201	124,901	42,654	—	1,484	208,593
—	69	194	89,039	19,980	—	1,329	148,308
12,634	—	—	300,648	131,936	—	3,456	484,131
3,440	361	27	362,115	22,058	8,333	4,512	481,135
1,675	81	—	156,126	15,129	—	1,752	236,091
4,095	101	139	175,555	68,858	—	1,001	288,368
11,897	—	—	270,102	58,556	—	286	393,636
5,578	106	391	294,691	27,450	32,224	4,357	397,141
3,919	328	100	173,610	52,402	5,556	869	290,228
3,746	17	112	140,410	21,313	—	553	204,868
2,932	106	500	119,550	9,890	—	4,150	168,052
2,436	—	—	120,468	17,822	—	3,463	183,567
4,315	362	192	201,722	22,100	—	1,060	304,482
1,102	97	—	90,970	3,101	3,333	96	135,448
1,640	—	—	60,844	6,238	—	10	108,613
1,299	—	—	151,711	41,592	5,556	1,779	242,447
163,156	2,369	5,994	8,033,288	1,444,019	113,336	98,118	11,545,632

is converted at 18 = 1*l.*

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TABLE 21.—*Rates for Deposits and Advances by the*

Banks.	Rates for Deposits.				
	On Demand.	On Deposit with Notice of			
		One Month.	Two Months.	Three Months.	Four Months.
	Per cnt.	Per cnt.	Per cnt.	Per cnt.	Per cnt.
1. Skånes	2	2½	3	4	4½
2. Wermlands	,,	3; fr. 1/5 2½	3½; fr. 1/5 3	4; fr. 1/5 3½	4
3. Kopparbergs	,,	—	—	3	,,
4. Östergötlands	,,	3	3	4	,,
5. Smålands	,,	2½	,,	3½	,,
6. Örebro	2	2½	2½	3½	4
7. Mälareprovinsernas	,,	3	3½; fr. 1/6 3	4; fr. 1/6 3½	4½; fr. 1/6 4
8. Göteborgs	3	3½	—	4	4½
9. Stockholms	2	3	3½	,,	,,
10. Norrköpings	,,	,,	,,	,,	,,
11. Wadstena	2½	3	3	3½	4½
12. Hallands	2	2	,,	,,	4
13. Sundsvalls	3	3	3½	4	4½
14. Christianstads	2	2½	3	,,	,,
15. Wenersborgs	3	3½	—	,,	,,
16. Skaraborgs	2	—	3	3½	4
17. Gefleborgs	,,	3	3½	4	till 15/6 4½
18. Uplands	,,	—	3	3½	4
19. Westerbottens	,,	3	—	4	4½
20. Christinehamn	3	3½	—	,,	,,
21. Borås	3	3½	3½	4	4½
22. Södermanlands	2	3	—	,,	—
23. Calmar	,,	2½	3	3½	4½
24. Gotlands	,,	,,	,,	,,	4; (for 12 mon.) 4½
25. Bohus läns	2 á 3	3½	4	4½	—
26. Hernösands	2	2½	3	3½ á 4; fr. 7/6 3½	4 á 4½; fr. 7/6 4

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Swedish "Enskilda" Banks, Second Quarter of the Year 1872.

Rates for Loans.					
With Mortgage of Real Estate.	With Other Deposits or Security.	For Advances.		Discount on Bills.	
		Interest.	Commission.	Short.	Long.
Per cnt.	Per cnt.	Per cnt.	Per cnt.	Per cnt.	Per cnt.
5 á 5½	5 á 5½	5	½ á ¾	4½	5
5 „ 5½	5, 5½, á 6	5½	¾ „ 1	„	„
5	5	5 á 5½	½ „ 1	5	„
5 á 5½	5 á 5½	5½	1	4½	„
5 „ 5½	5 „ 5½	5 á 5½	„	4½ á 5	5 á 5½
5½ á 6	4½, 5, 5½, á 6	5½	1	4½ á 5½	5 á 6
5	5	5 á 6	½ á 1	4½	5
4½ á 5½	4½, 5, á 5½	5 „ 5½	1	4 á 4½	4½ á 5
5 „ 5½	5½ á 6	5	„	4	5
5 „ 5½	5 „ 5½	5½	„	4½	„
5½	5½	5½	1	5½	5½
6	6	6	„	5	6
„	„	5 á 5½	„	5 á 5½	5 á 5½
5½	5½	5	½ á 1	4½ „ 5	5 „ 5½
5½ á 6	5½ á 6	„	1	4½	5
5½	5½	5½	1 á 1 2/10	5	5
5 á 5½	5 á 5½	5	½ á 1	„	5½
5	5	„	1	4½ á 5	5
5½ á 6	5½ á 6	5½	1 á 1½	5, 5½, á 6	5, 5½, á 6
5 „ 6	5 „ 6	„	1	4½	5 á 5½
5½	5½	5	1	4½	5
5	5	5½	„	„	„
5 á 5½	5 á 5½	5	„	„	„
4½ á 5	4½ á 5	6	„	„	„
6	4½, 5, 5½, á 6	5½	1	5, 5½, á 6	6 á 7
4½, 5, á 5½	4½, 5, á 5½	5, 5½, á 6	1	4½ á 5; fr. 15/5 5	5 á 5½; fr. 15/5 5½

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These three tables are the quarterly statement of the "Enskilda" banks at the 30th June, 1872. I have translated them, and reduced the amounts to English currency for the convenience of my readers. The form of balance sheet is extremely minute, and goes into particulars which would be vainly sought in the balance sheet of any English, or even of any Scotch banking company.

On the side of assets, Table 20, the first item shown in col. 1 is the amount of those bonds and mortgages in which the portion of capital which serves as the basis of the note circulation is invested. The amount held in interest-bearing obligations is stated in col. 4. The advances, in the careful making of which the real difficulty of banking lies, have to be specified under the following heads:

Cols. 8 and 9. Bought or discounted bills (whether inland or foreign).

„ 10 „ 11. The number and the amount of advances on cash credit.

„ 12 „ 13. The number and the amount of advances against security of mortgage of real estate.

„ 14 „ 15. The number and the amount of advances on interest-bearing bonds.

„ 16 „ 17. The number and the amount of advances against shares, goods, &c.

„ 18 „ 19. The number and the amount of advances against deposit of bonds with personal security only.

„ 20 „ 21. The number and the amount of advances against security of bondsmen.

„ 24 „ 25. The amounts depending on law-suits and on bankruptcy.

The total sum of the advances made by all the "Enskilda" banks collectively, amounts only to about three times their own capitals and reserve funds put together, a state of matters which must conduce greatly to their solidity. These loans must have been of great service in promoting the prosperity of the country. The columns giving the number of advances made, show that the amounts are individually small; this probably indicates that banking facilities have been given throughout the country, in its remotest provinces, as well as in the capital. The care with which these advances have been made is shown by the columns which state the amount of advances in jeopardy. These are only about 8,000*l.* for the whole of the "Enskilda" banks. On the side of liabilities, Table 19, col. 1 gives the proportion to the bank's own notes issued, of the State's bank notes and coin held by each bank, and shows how carefully the convertibility of the notes issued is provided for. The cash held in reserve is more than half the amount of notes in circulation. The basis of the note circulation is

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shown by col. 1 of Table 20, which states the amount of capital deposited in bonds; cols. 27 and 28 of the same table, containing the sums held by each bank in silver or in notes of the Riksbank, and on running account with the Riksbank; and by col. 15 of Table 19, in which is given the "amount of cash credits granted," against which also, under the regulations stated in sec. 26 of the Swedish Banking Law, notes may be issued. The amount contained in col. 15, cannot be ascertained from the published accounts, but only from an investigation of the securities themselves. It is the statement as made by the Government Comptroller, and accepted by the banks. The highest limit of the note circulation allowed will be found in col. 16 of Table 19. No banks have taken advantage of the power reserved to them of raising capital by issuing shares with limited liability. The provisions giving this power will be found in secs. 3, 4, 25 of the Swedish Act of Legislature, which are well contrived for the purpose. These stipulations were made in case some monied men in Stockholm should be desirous of placing their capital in a remote "Enskilda" bank without incurring the risk of unlimited liability for the whole concern. But to the present time, the confidence enjoyed by the "Enskilda" banks' management has really been, and is, so unlimited, that no "Enskilda" bank has needed to take partners "en commandite." There are at present 26 "Enskilda" banks carrying on business; not one of these has less than 100 partners. Two "Enskilda" banks have amalgamated with other banks in the same localities without any inconvenience to the public. Altogether there are 118 "Enskilda" banks and branches carrying on business in the country; that is to say, about one banking office to every 35,000 inhabitants. The population which ninety places possessed in 1870, is given in the "Swedish Statistical "Abstract" published in 1872. Their size was as follows:—

TABLE 22.—*Population of Towns in Sweden in* 1870.

14	places with less than			1,000	inhabitants.
28	places between	1,000	and	2,000	„
10	„	2,000	„	3,000	„
9	„	3,000	„	4,000	„
3	„	4,000	„	5,000	„
7	„	5,000	„	6,000	„
4	„	6,000	„	7,000	„
4	„	7,000	„	8,000	„
2	„	9,000	„	10,000	„
2	„	10,000	„	11,000	„
1	place between	11,000	„	12,000	„
1	„	14,000	„	15,000	„
1	„	15,000	„	20,000	„
1	„	20,000	„	25,000	„
1	„	25,000	„	30,000	„
1	„	50,000	„	60,000	„
1	place (Stockholm) with			136,016	„
90	places.				

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This statement, coupled with the fact that of the 4,168,525 inhabitants of Sweden in 1870, 3,628,876 were enumerated as living in the country districts, and only 539,649 in the towns, the size of which is described above, gives an idea of the nature of the field for business in which the "Enskilda" banks carry on their operations, and enables us better to appreciate the success which they have attained. As far as legislative enactments, and methods of keeping accounts go, Sweden is better provided for than any country in Europe. The concurrence of the Commissioner appointed by the Governor of the Province in the examination of the bonds and mortgages in which that part of the capitals of banks is invested, against which the note circulation is issued; his concurrence also in the drawing up of the quarterly balance sheets, and the power reserved to him of examining the accounts and transactions of the bank, at any time whatever, are in themselves great securities against the statements being falsified. There is a further power reserved to the Minister of Finance to cause an investigation to be made at any time he thinks fit, and to ask for explanations. The "Government audit" so often desired is thus attained without difficulty; but while everything connected with these banks is thus laid open to inquiry, no one is allowed to make known the private transactions of the customers. Absolute immunity from risk of loss is not to be reached by any system however perfect. Real security in banking is the result of careful and prudent management, and of that only. But the checks which well-arranged legislation requires, and which the compulsory adoption of a complete system of accounts imposes on the rash or the fraudulent, are often of great benefit in reminding the careless or the unfaithful administrator of the risks which he incurs when he departs from the correct method of carrying on business. The Swedish banking law is extremely well arranged, and gives every protection which legislation can supply in these matters. The influence which the authority of Government can have over the conduct of business is, when exercised in this manner, very considerable, and it is most desirable that it should be so directed as to foster and maintain foresight and prudence in banking. I add in Table 23 the balance sheet of the Riksbank of Sweden on the 29th June, 1872. This will show how large a proportion of the precious metals is held against the notes in circulation, and on what a solid basis that circulation rests.

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TABLE 23.—*Balance Sheet of the Riksbank of Sweden, 29th June, 1872.*

[000's omitted, thus £1,042, = £1,042,000.]

Assets.	£
1. Gold and silver	1,042,
2. Other values, on the basis of which notes may be issued	549,
3. Copper money	7,
4. Bought or remitted bills	266,
5. Interest-bearing obligations and funds	560,
6. Debt with the public mortgage bank, against mortgage of real estate (landed property)	281,
7. Loan, against pledge of bank's old obligations	26,
8. „ real security in the city	
9. Loans or cash credits	1,783,
10. Unpaid interest, arrears of money, city loan fund debt	132,
11. Discounted bills	325,
12. Loan, against pledge of obligations	567,
13. „ goods	86,
14. On granted cash credits, taking the sum total	303,
15. Loan, partly renewable security credit	373,
16. Reserves belonging to discounts and loans	339,
	6,639,

Liabilities.	£
1. Notes in circulation	1,812,
2. Bank post bills do.	222,
3. Due on interest-bearing obligations, remains of debt, and city loan	18,
4. Due on deposits, not bearing interest	528,
5. Bonds and stock	418,
6. Capital	1,389,
7. Reserve	260,
8. Different small acccounts	7,
9. Outstanding on deposits against interest	118,
10. On running accounts, capital and interest	211,
11. Branches of the State's bank for discounts and loans	1,656,
	6,639,

Note.—The riksdollar riksmynt is converted at 18 = 1*l.*

The following statement is interesting as showing the progress of the Swedish "Enskilda" banks from the years 1865 to 1871. Their present position is in detail on Tables 19 and 20.

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TABLE 24.—*Progress of the Swedish "Enskilda" Banks*, 1865-71.

[000's omitted, thus £3,920, = £3,920,000.]

	1865.	1866.	1867.	1868.	1869.	1870.	1871.
Assets—	£	£	£	£	£	£	£
Total	3,920,	3,980,	4,960,	4,880,	6,730,	7,310,	8,800,
Of which were discounted bills	1,090,	1,070,	1,370,	1,350,	1,950,	2,390,	3,110,
On cash credits	958,	1,120,	1,150,	1,210,	1,460,	1,490,	1,620,
Loans against security	1,380,	1,210,	1,590,	1,510,	2,220,	2,240,	2,330,
Cash in hand	770,	800,	900,	910,	940,	1,320,	1,550,
Liabilities—							
Notes in circulation	1,860,	1,750,	1,910,	1,700,	1,940,	2,230,	2,680,
Total of other liabilities	4,110,	4,380,	5,380,	6,000,	7,100,	7,800,	9,000,
Of which were deposit accounts	1,140,	1,340,	1,630,	1,870,	2,480,	2,890,	3,770,
Current accounts	406,	421,	541,	544,	940,	1,240,	1,390,
Capital	2,040,	2,250,	2,440,	2,370,	2,760,	2,780,	2,830,
Proportion of riksmynt held to notes in circulation	0·36	0·44	0·45	0·51	0·44	0·46	0·47

Note.—The riksdollar riksmynt is converted at 18 = 1*l.*

The great support which the commerce and industry of Sweden have derived from the "Enskilda" banking system established in that country, is evident at a glance from this statement.

Banking Law of Sweden.

(Translated from the Swedish.)

1864. COLLECTION OF SWEDISH STATUTES. No. 31.

His Royal Majesty's Gracious Proclamation respecting Private Banks with right to issue their own Bank Notes. Given at the Royal Palace of Stockholm, the 20th of May, 1864.

WE, Charles, by the Grace of God King of Sweden, Norway, the Goths and Vandals, give notice, that whereas the States of the Kingdom in their address of the 26th November, 1863, presented to us the project of a law concerning private banks with

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the right to issue their own bank notes, upon which the highest courts of law gave their opinion, but we found ourselves hindered from accepting in an unaltered form that same project, which likewise comprised matters having the nature of civil law; we have taken into gracious consideration those parts of the said project which do not belong to civil law, and have thought proper, rescinding the Royal Proclamation of the 14th January, 1824, respecting the establishment of private banks and discount offices, the Royal Proclamation of the 9th January, 1846, respecting private banks which issue their own bank notes, and the Royal Proclamation of the 10th of November, 1855, concerning certain alterations in and additions to the aforesaid proclamation of the year 1846, being mainly in accord with the project of the States of the Kingdom, to enact and direct for the information of those private banks of issue, which may hereafter establish or obtain the desired charter, as follows:—

§ 1.

Private persons desirous of entering into partnership for the object of carrying on banking business by means of an elected board of directors, with the right of issuing their own bank notes, shall make application to us for our gracious permission thereto, and at the same time hand in the rules and regulations adopted by the Company. If they are found to be in accordance with this law and the common law and statutes in general, and we find the establishment of the bank to be beneficial to the country, a charter will be given to carry on banking business during a period of at most ten years, reckoning from the opening of the bank.

If the Banking Company wishes to have the charter extended, it shall make application in the manner just stated, eighteen months before the current charter runs out.

§ 2.

The partners in such Banking Company shall be Swedish subjects to the number of at least thirty, and they are responsible, one for all and all for one, for the fulfilment of all the engagements of the banking company. They are called partners with joint responsibility.

§ 3.

It is open to the partners with joint responsibility, for the purpose of increasing the capital of the bank, to unite with themselves shareholders whose responsibility for the engagements of the Company is limited to the full amount of their shares. They are called shareholders with limited liability, and such may not be received into the Company for more than at most the half of the amount which the partners with joint responsibility put into the capital.

§ 4.

The owners of shares with limited liability may not be allowed the right of taking part in any other resolution at the Company's meetings than the election of auditors, to which office, however, they may be elected.

§ 5.

Par. 1. A partner with unlimited liability, his heirs or sharers in his estate, shall not be entitled during the term of the charter to retire from the Company, or transfer any of his shares to another person, unless the Company consent thereto. A request on that account shall be made in writing to the directors, and taken into

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consideration at the ordinary meeting of the Company, to be held in the business year next ensuing.

Par. 2. Owners of shares with limited liability may transfer their shares to another person, after notice has been given to the directors of the Company, due regard being had in other respects to the rules laid down by the Company for such purpose.

§ 6.

When a partner with unlimited liability retires from the Company, or a fresh partner of the same character joins it, notice thereof shall, after each ordinary meeting of the Company, be given on the part of the directors to the local court of justice, so that an entry may be made in its register, and also advertised in the public newspapers.

§ 7.

Par 1. A list of the whole, partners with joint responsibility as well as shareholders with limited liability, shall be kept at the bank, which list, moreover, shall contain a statement of the number of shares which each one holds.

Par. 2. In this list all duly made alterations in the right of ownership of the shares shall be immediately notified.

Par. 3. It is free to every one who so wishes, at such times as the bank is kept open for the public, to take note of this list, also upon payment of a fee, to obtain, for the sake of correctness, a certified extract therefrom by the proper official.

§ 8.

The rules of the Company shall contain resolutions concerning the following principal subjects:—

a. The amount of the capital;

b. How far shareholders with limited liability may be admitted, and on what conditions, especially as to the share of the profits which shall come to them;

c. The grounds for exercising the right of voting at the Company's meetings;

d. The number of directors on a board, which at the head office must at least be five;

e. The number of auditors and the time of the audits, which shall be performed annually;

f. The branches of the business of the bank; it being expressly enacted that neither its own share certificates nor those of other private banks may be accepted as security for advances;

g. The manner of effecting alterations in the Company's rules;

h. The time of the ordinary meetings of the Company, which shall be held at least once a year, and the conditions for calling together extraordinary meetings of the Company;

i. The formation of a reserve fund, and the share of the annual profits, which shall be transferred thereto; and

k. The terms upon which, taking into consideration what is hereinafter prescribed in § 13, the registered bonds and interest-bearing obligations shall be valued, which may be accepted as deposit for issued bank notes.

§ 9.

The capital of the Banking Company contributed by the partners with joint responsibility may not be under one million riksdollars riksmynt [55,555*l.* 11*s.* 1*d.*].

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§ 10.

Par. 1. This capital shall be fully paid up in the coin of the realm within one year, reckoning from the date of the bank being opened to the public, and the proportion thereof fixed hereinafter in § 13 converted into bonds and deposited in a public place of safety, in accordance with what this law and the Company's rules in other respects may more especially determine.

If the capital has not been contributed in the said manner within the period now fixed, the charter shall be forfeited.

Par 2. If shareholders with limited liability have been admitted into the Company, the amount by which the original capital is thus increased shall likewise be contributed within a year, reckoning from the date when the subscription opened on that account was closed.

§ 11.

The capital shall be divided into equal shares. The share certificate shall always be made out in favour of a person mentioned by name, and may not be issued before the capital in full has been contributed as enacted on that account in § 10.

§ 12.

The capital contributed may not be decreased by division, so long as the business of the bank continues, nor at its termination in a wider proportion than that the remainder fully corresponds with the amount of the Company's circulating and current liabilities of all kinds.

§ 13.

Par. 1. The directors shall, in accordance with particular rules made by the Company, convert at least 60, and at most 75, per cent. of the capital into public bonds of such a nature as is hereinafter stated.

Par. 2. These bonds shall consist, at least in one-third part of readily saleable obligations, bearing interest, and for the remainder thereof, of bonds registered upon landed property in the country, within the half of the assessment value last determined, or in real property in a town, within the half, either of the value of the insurance against fire, or of the assessment value last determined; the buildings in towns, however, in order to allow of the registration thereon being accepted as this security, must always be insured against fire in some fire insurance office in the country provided with rules and regulations duly granted.

§ 14.

Par. 1. The capital of the bank deposited in bonds shall be examined by delegates of the Company together with the Governor of the province, or whoever he may appoint in his place to be present at the examination, and approved, when the bonds are found to be of the nature mentioned in the foregoing section, and in other respects may be considered to contain full security.

Par. 2. The exchange of securities belonging to the capital deposited in bonds is dealt with in the very same way as at the first examination.

§ 15.

The capital of the bank deposited in bonds shall be placed in security at the office of the Exchequer or some public place of safety in a box or chest furnished with two locks, to which the directors and a public officer chosen by the appointed Commissioner shall have each his key.

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§ 16.

Par. 1. The partners with joint responsibility in the Banking Company shall elect from among themselves a board of directors, who shall have the right, in accordance with the instructions which are issued by the Company, and under such control by public authority as in that law is enacted, to manage the bank, and in every business lawfully to speak and answer for the Company.

Par. 2. Every partner who is chosen to be a member of a board of directors shall deposit in the keeping of the bank, at least one share certificate, which shall not be delivered up from the bank so long as he remains a member of the board of directors.

§ 17.

Par. 1. A member of the board of directors may be removed from his office by a resolution duly passed at a meeting of the Company.

Par. 2. If a director retires he still remains responsible for the transactions in which he has taken part, until an ordinary meeting of the Company, after an audit has taken place in the usual way, has assented to his release.

§ 18.

The names of the directors of a board and of those persons who are entitled to sign the Company's bank notes and other liabilities, shall after every ordinary meeting of the Company, also when any change in these respects has otherwise taken place, be notified to the appointed Commissioner, and be inserted in the public journals.

§ 19.

It is incumbent upon the directors:—

To keep the accounts and transactions of the bank, at any time whatever, accessible to the Commissioner or his deputy, as well as for the special examination which we may think proper to order;

To draw up immediately after the close of each quarter, in the presence of the Commissioner or his deputy, and thereupon without delay to send to the Minister of Finance, likewise to publish in the newspapers, a summary showing the state of the bank; this summary shall likewise contain a statement of the interest on loans and the discount which were current in the bank during the period comprised in the summary;*

To advertise immediately in the public journals, so soon as an alteration in the interest on loans or the discount has been resolved upon;

To send into our finance department after an audit has been performed, a report of the audit, likewise to have the same inserted in the public journals; and

To make themselves accurately acquainted with what this law enacts and the Company's rules, fixed by us, prescribe.

Should any deviation take place, and the circumstance, when observed, not be rectified within a month, it will rest with us in a grave or important case to declare the Company to have forfeited the right to carry on banking business.

§ 20.

The relations of private persons to the bank may not be divulged to the public.

* The quarterly statement of the Swedish banks given in Tables 19, 20, and 21, is in accordance with this section of the statute.

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§ 21.

The head office of the bank may only be opened in a town.

§ 22.

It shall be notified by advertisement in the public journals when a bank starts its business, and information of the date when that takes place shall be sent to our finance department.

§ 23.

Before a bank commences business, it shall be proved before the Commissioner :—

a. That the charter granted by us in favour of the Company, as well as the rules of the Company, have been produced, in the original, before the court of justice in the town where the Company's head office is situated, and verbally entered in its register, and that the court has, at the Company's expense, had an advertisement inserted in the public journals of the Company having been formed.

b. That a list of the partners who, in accordance with this law are jointly responsible for the Company's engagements, has not only been delivered to the same court, and entered into its register, but also advertised in the public journals.

c. That at least 10 per cent. of the capital has been paid into the bank on its shares, also that the papers which the Company has approved on examination have been delivered up to the bank in security thereof, and that the remainder of the capital will, according to § 10, be paid to the bank within a year.

§ 24.

Before a bank commences to issue its own bank notes it shall furthermore be proved before the Commissioner :—

a. That the deposit of the bank, in value corresponding to at least 25 per cent. of the capital, has been deposited in the way prescribed at a public place of safety.

b. That proofs of the bank notes have been delivered to our finance department.

c. That the names of the persons who shall sign the bank notes have been inserted in the public newspapers.

§ 25.

Should shareholders with limited liability be taken into the Company, after the Banking Company has fulfilled what has been said respecting the right to issue its own bank notes, the Company, which wishes to base its issue of notes upon the increase thus obtained, shall be bound, before it can be considered entitled thereto, specially to prove before the Commissioner that the deposit, corresponding to at least 60 and at the highest 75 per cent. of the increase, has been further deposited in the prescribed manner at a public place of safety.

§ 26.

The Banking Company, which is entitled to issue its own bank notes, may not deliver or in general business keep at one time in circulation a higher amount than when summed up in value corresponds to :—

a. The bonds deposited at a public place of safety, according to the accounts of the bank.

b. The cash in hand of the bank consisting of the coin of the realm and notes of the Bank of the Kingdom.

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c. Gold and silver, according to the rules of valuation which is now or may hereafter be prescribed for the Bank of the Kingdom.

d. Balances of account with the Bank of the Kingdom.

e. The securities held by the bank for cash credits granted, and which are in their nature to be compared with the deposit of the bank, in the proportion that credits are solicited; still, never to a larger amount than corresponds to 50 per cent. of the entire capital of the bank.

§ 27.

Par. 1. The bank notes shall be issued by the Banking Company in favour of the holder, to be cashed on demand without interest, and signed by at least two members of the board of directors and an officer of the bank who may be appointed thereto by the directors.

Bank notes may only run for 5, 10, 50, 100, and 500 riksdollars riksmynt.

[*5s. 6d., 11s. 1d., 2l. 15s. 6d., 5l. 11s. 2d., 27l. 15s. 6d.*]

Par. 2. They shall in size and form be so manufactured that the paper for those of 5 and 10 riksdollars shall be 4½ inches in length and 2½ inches in breadth, for those of 50 and 100 riksdollars 5 inches in length and 4½ inches in breadth, and for those of 500 riksdollars 7½ inches in length and 4½ inches in breadth, in every way according to the Royal decree for Weights and Measures of the 31st January, 1855.

Par. 3. The bank notes may be manufactured of paper without colour, still not like the notes of the Bank of the States of the Kingdom. As to the printing or engraving, that may rest with the Company to determine; yet the value of the bank note must always be clearly expressed.

§ 28.

The bank note shall, when it is presented at the Company's head office to be changed, be paid with coin of the realm or notes of the Bank of the Kingdom. If payment is refused, the holder of the bank note shall be entitled, together with the principal sum, to obtain interest at the rate of 6 per cent. per annum from the date of payment having been refused until payment can be obtained.

§ 29.

Should the Banking Company fail in its duty to pay on demand the bank notes which it has issued, the holder, after a protest has been effected by a notary public, for which the cost shall be borne by the Company, shall be entitled to make a report on the circumstances to the Commissioner, who, if it cannot be immediately proved that the hindrance originated in an accident, shall without delay make a report to us stating the circumstances, and in the meantime suspend the business of the bank. It will rest with us to decide how far the charter of the bank shall in such case become forfeited.

§ 30.

The Banking Company shall have the right, for the payment of its bank notes in circulation, to apply, if necessity so require it, after permission thereto has been obtained from the Commissioner, a greater or smaller part of the securities of the capital of the bank: in which case the Banking Company's right to issue notes shall be curtailed by the amount at which the securities sold were valued; but the Banking Company shall be obliged, as soon as it can possibly take place, to restore its securities to the proper amount.

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§ 31.

Par. 1. An obligation bearing interest of a private bank, made out in favour of the holder, or to a certain person or order, may not run for a smaller amount than 500 riksdollars riksmynt. [27*l.* 15*s.* 6*d.*]

Par. 2. A deposit receipt with or without interest shall be made out in favour of a certain person, and contain therein that a transfer thereof must be notified at the bank for the security of the new owner thereof.

§ 32.

Par. 1. The Banking Company shall be entitled to use printed or engraved forms, not only for bank notes, but also for bonds on account of loans, receipts, contracts, and quittances.

Par. 2. The receipts which are issued by a bank are only valid as quittances, but may not be transferred or delivered in business.

§ 33.

The Banking Company may not carry on business with anything else than gold and silver, home and foreign bills of exchange, and public stock bearing interest, nor become possessed of other real property than what is requisite for the bank premises; but it may not be hindered from purchasing mortgaged property which is sold by auction, whereby the rights and security of the bank may be concerned; still due regard thereto being had that such property shall be sold again as soon as it can take place without loss to the bank.

§ 34.

The Banking Company shall enjoy the same right to assistance in getting execution of a claim as is now or may be hereafter allowed to the Bank of the Kingdom; but legal proceedings on account of the claim shall be instituted within a month from the time of its having become due.

§ 35.

If the Banking Company, according to the duly audited balance of any business year, has made such losses that the reserve fund of the bank and 10 per cent. of the capital, which the partners with joint responsibility have contributed, have been lost, then the bank shall be placed under sequestration, and the Company be accordingly dissolved, so far as the Company does not, at a meeting of the Company called together for the purpose, declare itself willing, within three months, by means of the necessary additions to the shares, to restore the capital to its proper amount.

It is incumbent upon the Commissioner to watch carefully that such resolution of the meeting of the Company be carried out within the said time. If it be not so done, the Company shall be placed absolutely under sequestration and dissolved.

All persons who are concerned have to obey and be guided by this. For further certainty we have signed this with our own hand, and caused it to be confirmed with our Royal seal.

The Royal Palace of Stockholm, the 20th May, 1864.

CARL,

L. S.

J. A. GRIPENSTEDT.

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XVI.—*Statement of Banking in Denmark.*

From the 1st August, 1818 (the cession of Norway to Sweden took place in 1814), the National Bank of Copenhagen took the place of the Rigsbank (Bank of the Kingdom) in Denmark, accepting all its claims and debts, rights and privileges. The first duty of the bank was to endeavour to establish a sound currency and system of money for the kingdom, by maintaining the notes issued by the Rigsbank at their par value. To do this it was enjoined to collect and preserve a fund of silver in coins, bars, and banco money (equivalent to silver), sufficient to cash the bank notes whenever they were presented. The proportion of this basis has varied from about half the notes in circulation in 1859, to two-thirds in 1871. These have been the most usual proportions: In 1865, the year when the lowest amount was held, the amount was 1,096,000*l.* silver to 2,667,000*l.* paper; in 1866, 1,451,000*l.* silver to 2,933,000*l.* paper; in 1867, 1,428,000*l.* silver to 2,922,000*l.* paper. The ordinary duties of a bank were also to be performed, and the productive powers and commerce of the country facilitated by loans and discounts, also by opening accounts and receiving deposits. To enable the bank to give this assistance, it took over the property belonging to the Rigsbank, with also certain rights over the mortgages against which the Rigsbank had issued notes, until such time as those notes had been definitely redeemed. The bank is bound to hold silver for half of the existing paper money in circulation, of which silver at least half was to be the current silver coins of the country: the other half might consist of silver bars and Hamburg banco. The above-named proportion of silver to paper must be kept up. If a great demand for silver in one quarter of a year has prevented the bank, before the end of the quarter, from supplying the silver in proportion to paper, this proportion is to be unconditionally restored before the end of the next quarter. The bank petitioned in 1848 to be allowed to place sterling money to the realisation fund instead of banco, which was approved, subject to the following arrangements:—One quarter of the silver fund in the bank which was in banco may comprise bills in sterling money until further notice, the exchange of the same to be 13 marks 8 skilling, = 1*l.* The bank petitioned in 1854 for an increase from 2,222,000*l.* paper money to 2,660,000*l.*, which was granted, but the security held was to be increased by an equal amount, of which one-fourth was to be in silver money, one-half in silver bars, and one-fourth in bars or good banco or sterling bills. The bank petitioned in 1859 for increase of paper money above the 2,660,000*l.*, which was granted on the following conditions:—That the National Bank shall buy of any one who may wish to sell silver bars, of not less

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proportion of pure metal to the alloy than, say, $\frac{982}{1000}$, for payment of 18½ rixdollars per mark fine of Cologne weight. At the bank meeting in 1853 the directors were authorised, until otherwise decided, to receive loans upon which 3 per cent. yearly interest is paid, with a mutual notice of three months. From 1st May, 1860, it was agreed with the Government to receive the State surplus of the treasury, and pay interest on it. Since 1858 the bank discounts daily. The following details enable us to appreciate the extent of assistance which the National Bank has been able to give to the commerce of the country, and the solid basis supplied to the paper circulation:—

TABLE 25.—*Position of National Bank in Copenhagen.**

[000's omitted, thus £3,055, = £3,055,000.]

	1870.	1871.
	£	£
Notes issued	3,055,	3,610,
„ in hand	75,	173,
Silver held in bars and coin	1,567,	2,188,
Loans on real security	636,	626,
„ personal „	1,229,	1,141,
Inland bills	781,	848,
Foreign „	333,	478,
Mortgages and bonds held	752,	757,
Deposits and current accounts	453,	587,
Reserve	127,	134,

* From the "Statistical Abstract for Denmark," No. 4, 1872, p. 87. The rixdollar is converted as 9 = 1*l.*

Besides the National Bank of Copenhagen, there are several other banking institutions. The "Private Bank," an association which in England would be regarded as a joint stock bank, was established in 1857. The share capital is now 666,000*l.* The business of the bank was to comprise all ordinary bank transactions. The bank was to open debit and credit accounts for its customers, with the privilege to use the amount paid the same day as it was entered. The depositors may accept their bills payable at the bank, and the bank undertakes the cashing of their bills if desired. On payment of cash the bank issues cheques similar to the English bank post bills, but not at longer dates than seven days' sight or fourteen days' date. The bank receives sums of money on interest, and discounts bills payable in the town, but the discounting is made on the condition that at least one name is on the bill besides the issuer's. The bank buys and sells bills in other places in the country, as well as in foreign places. Precious metals in bars and in coins, also bank notes and paper money, are bought and sold by the bank. Government securities are not dealt with,

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except on commission, and not even then except against cash payments, but this does not exclude the bank from placing a part of its capital in safe securities of the above-named kind. The bank negotiates loans on commission, and makes loans against security, which is given as a pledge, as—

(*a.*) Precious metals, coined or in bars;
(*b.*) Government securities and stocks (but not the bank's own) also bonds issued by the municipality or other authorised corporations or societies, for which the price is officially quoted;
(*c.*) Solid mortgage bonds;
(*d.*) Goods;

According to the following rules:—

(*a.*) On precious metals is lent up to 90 per cent. of the value.
(*b.*) On Government securities and stocks and other stocks of same class, 80 per cent. of the maximum of the quoted value. If the value of the securities should drop after the reception of the loan 5 per cent. or more, then the borrower shall, on request, within eight days, pay a deposit to raise the original security, and the bank shall deduct the amount from the loan. If the rectification is not effected within twenty-four hours, the bank has the right to realise the securities deposited. If the debt is not covered by the realisation, the borrower is bound to pay in cash the deficiency.
(*c.*) On private mortgage bonds the loan must not exceed 80 per cent.
(*d.*) The goods on which the bank lends money must not be such as can easily be damaged or undergo great fluctuations in price. They are to be valued as directed by the managers, and the loan must not exceed two-thirds of the estimated value. The goods which are pledged to the bank must be insured, and the policy kept in the bank. If the value of the goods drops after the loan is made to 10 per cent. or more, the bank has a right to demand of the borrower a further security, or a proportionate deduction from the loan, and if this is not immediately complied with, the goods are to be sold by public auction. Any decrease or damage does not concern the bank, and the borrower is bound in this case, as well as in all cases, to be liable to the bank for the loss.

On bills of lading for goods advances are not made. The bank receives all sorts of documents and valuables for safe keeping.

The "Private Bank" has done a considerable business.

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TABLE 26.—*Position of the "Private Bank" in Copenhagen*, 1871.

[000's omitted, thus £522, = £522,000.]

	£
Inland bills held	522,
Foreign „	291,
Loans on security	739,
Bonds	40,
Cash in hand	75,
Capital	666,
Reserve	110,
Deposits and current accounts	900,
Sundry creditors	124,

Note.—From the "Statistical Abstract for Denmark," No. 4, 1872, p. 87. The rixsdollar is converted at 9 = 1*l.*

There is also a "Private Loan Bank" in Copenhagen, with a capital of 110,000*l.*, increased in 1873 to 220,000*l.*; and the Landmand's Bank, established in 1872. It speaks well both for the banking institutions of Copenhagen and for the prudence with which the commercial undertakings of Denmark generally have been conducted, that the merchants of that country passed through the trial years of 1857 and 1866 comparatively unscathed.

I am indebted to the kind assistance of Mr. Edward Rawlings for the materials for this portion of my paper.

XVII.—*Statement of Banking in Hamburg.*

The banking system existing at this time in Hamburg presents some interesting features. In this city, the most vigorous offshoot of the once powerful Hansa, the latest representative of the free commercial cities of mediæval Europe, there still remains a representative of those older banks, which were once of the highest importance in commercial affairs. Similar institutions greatly aided the prosperity of Venice, Genoa, Amsterdam, and Nuremberg. The Bank of Hamburg is now the last survivor of these banks, whose business lay in the assistance of commerce, not by loans, but by the local manufacture, so to speak, of an international coinage. In a city of the highest rank for commercial activity, but greatly circumscribed in territory, continually receiving payments for merchandise in the coin of other countries, a common standard of value was a matter of primary necessity.

The invention of bank money, that is, of a money of account which could be transferred at pleasure from one holder to another, enabled the trade of the place to be carried on without any of those hindrances to business which must have followed on the delay and expense attendant on the verification of various coins differing

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from each other in weight, intrinsic value, standard of purity of metal, in every point, in fact, in which coins can differ from each other. By supplying a currency of universal acceptation, the Bank of Hamburg greatly contributed to the prosperity of that city. The bank carried on its business under the protection of the State, and was a place for deposit, or warehouse of the precious metals, principally uncoined silver. The "mark banco," or money of account, represented the $59\frac{1}{3}$ part of a metrical pound of fine silver. Any quantity of fine silver was received by the bank, and credited to the sender at the rate of $59\frac{1}{3}$ mark banco for one pound of fine silver, 1 p. mill ($\frac{1}{8}$ per cent.) being charged to the person who sold the silver to the bank. Accounts could only be opened by a Hamburg citizen or corporation. In order to avoid any risk of loss, no silver was received below the fineness of $\frac{992}{1000}$, and every bar had to be assayed by a sworn assayer in the service of the bank. In this manner the payments to be made were merely transfers from one account to another by persons who kept an account at the bank. To transact their business they had either to appear personally or to be represented by an attorney, who brought the checks with a printed signature personally to the bank. Besides the business based on bar silver, the Hamburg Bank also advanced bank money against silver coins, and in a limited way in gold, under careful restriction and for a limited time only. These loans, however, could be renewed. The pledge itself could only be taken out by the person who took money for it, or by another one to whom it was formally transferred.

About twenty years ago it was found that the existing system wanted elasticity, as the bank gave no facilities whatever, neither for credits nor discounts. The currency, it will be observed, was a purely metallic one, the "mark banco" being merely the representative of an equal value of silver. But this arrangement, though perfect in itself, and presenting the safest form of currency, has not been able to save Hamburg from the troubles of a crisis. That of 1857 was even more intense in Hamburg than in London. We may hence observe how little influence the form of currency may have either in creating, or in allaying, a commercial crisis. In 1856 two private banks were founded, the Vereins Bank and the Nord Deutsche Bank. The first has shares partly paid up, and a capital paid up of 450,000*l.*, 150,000*l.* having been paid since December, 1871, the date of the balance sheet given below. The shares are at this time at a very considerable premium on the amount paid up. The shares in the second are fully paid up. The capital is 1,500,000*l.*, and the shares also stand at a considerable premium.

A third bank, the Commerz and Disconto Bank, with fully

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paid-up shares and a capital of about 600,000*l.*, was established since the year 1869, and recently some other banks have commenced business. All these banks are founded under enactments which provide that the liability of the shareholders is limited to the nominal amount of their shares. According to the latest law, 40 per cent. of the shares must be paid up. With this the liability of the founders of such companies generally ceases. The audits of the accounts of these banks are entirely of a private nature, and are not verified by any public official. The banks have up to this time cleared with each other daily, settling the payments to be made to the other by transferring the balance to their account with the Hamburg Bank, in the same manner as our clearing bankers do by finally giving a cheque on the Bank of England. The Bank of Hamburg is required by law to publish a weekly statement of its accounts. The Vereins Bank and the Nord Deutsche Bank publish their accounts monthly, in accordance with their statutes.

I add the statements of the Bank of Hamburg, and the last yearly balance-sheets of the Vereins and Nord Deutsche banks. For these, and for much of the information contained in this statement, I am indebted to the civility of Mr. J. H. Gossler, of Hamburg.

TABLE 27.—*Position of Banks in Hamburg.*

[000's omitted, thus £2,265, = £2,265,000.]

	12th October, 1872.	18th December, 1872.
	£	£
Stock of silver in bars	2,265,	2,250,
Allowances against silver money	537,	521,
„ gold „	25,	30,
	2,827,	2,801,

Balance Sheet of the "Vereins Bank" in Hamburg, for the Fifteenth Year of its Business, ending 31st December, 1871.

ACTIVA (*Assets*).	£	PASSIVA (*Liabilities*).	£	£
"Portefeuille," Hamburg bills	827,	Share capital paid-up		300,
„ Foreign „	63,	Reserve		19,
Account with Bank of Hamburg	227,	Deposits		67,
Balance of cash	29,	Interest due on ditto		4,
Coupon account	1,	Acceptances	79,	
Advances on securities	184,	Sundry creditors	996,	
Bank premises, &c.	9,			1,075,
Sundry debtors, &c.	146,	Profit, &c.		45,
Shares in the Vereins Bank at Kiel	15,			
Furniture, &c.	9,			
	1,510,			1,510

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Balance Sheet of the "Nord-Deutsche Bank" in Hamburg, for the Fifteenth Year of its Business, ending 31st December, 1871.

[000's omitted.]

Activa.	£	Passiva.	£
Account with Bank of Hamburg	336,	Share capital	1,500,
Cash	65,	Endorsement account	632,
Local bills	936,	Deposits	684,
Foreign „	483,	Accounts with foreign correspondents	93,
Public funds and shares	536,	Interests due	6,
Advances against security	600,	Brokerage account	2,
„ without „	185,	Guarantee „	45,
Premises, &c.	24,	Tantième	14,
		Dividend account	189,
	3,165,		3,165,

Note.—The mark banco is converted at *1s. 6d.* in this table.

The statements of the Bank of Hamburg show how large a proportion of its holdings is of bar silver, and how small the quantity either of coined silver or of gold in its possession is. The balance sheets of the other banks show how large the proportion of reserve held, whether in cash or in account with the Bank of Hamburg, is to liabilities. The banking business of Hamburg is at this time in a state of transition. The German Parliament has decided that all Germany should possess a gold standard, and Hamburg will have to give up its old system of a bank currency based on uncoined silver. The change came into effect on the 15th February, 1873; after that date the monetary system of Hamburg will be rix money in marks, 150 of which will be equal to 100 marks banco. These new marks are to be represented by the German thalers of 3-marks rix money each, which it is intended to convert into gold marks coined in 10 and 20-mark pieces, *9s. 9½d.* and *19s. 7d.* I may mention here that these changes have come into effect within three days of the date of my reading this statement to the Society. The future banking arrangements of Hamburg may very probably take a different shape from those which I have described.

It is understood that the Bank of Hamburg will endeavour to continue its business under the new system, but in such altered circumstances it is difficult to imagine that it can find scope for a business such as it has hitherto carried on. The circulation being in future rix money, the well-known "mark banco" must disappear, with all its safety and convenience. It is to be hoped that the possessing the same currency with Germany may prove some compensation to the trade of Hamburg, and contribute to enlarged

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mercantile transactions and continued prosperity. The value of the imports of Hamburg was for 1869 and 1870.

TABLE 28.—*Imports into Hamburg* 1869 *and* 1870.

	1869.	1870.*
	£	£
Total imports into Hamburg....	64,200,000	55,400,000
Of which was received— From Great Britain	20,500,000	17,600,000

* These particulars are taken from M. M. Block's "Annuaire de l'Economie "Politique," 1872, p. 485.

1870 was the year of the French war, during a considerable part of which the River Elbe was blockaded. I understand that the subsequent year shows a great increase over 1869, but I have been unable to obtain exact information as to amounts.

The vast progress of the commerce of the city is shown by comparing these sums with the average of the total imports, which were

	£
For the Years 1861-70.....	56,600,000
And for '51-60.....	39,700,000

Note.—The thaler is converted at 3*s*.

XVIII.—*Conclusion.*

I have thus completed my survey of the banking arrangements of three countries besides our own. They contrast well with each other as good examples of three different methods. In Denmark, where the occupation of the inhabitants is mainly agricultural, the banking system is perhaps less completely developed than in either Hamburg or Sweden. Hamburg presents an instance, now almost the last in Europe, of a State unimportant in apparent resources, without territory, without natural wealth, prospering as a great centre of the traffic of other nations. The old banking system was designed to facilitate the needs of an international commerce, such as the State carried on. This object was very thoroughly attained under the method of business pursued by the Bank of Hamburg. We now see a fresh system springing up designed to meet the new needs of the time. The vigour with which these new arrangements have been carried out, promises well for the future commercial activity of Hamburg. In Sweden, entirely different requirements exist; a country with a large extent of territory, with a sparse population, and a rigorous climate, needs to retain every particle of wealth it can either create or collect; we find there a banking

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system admirably adapted to preserve and to promote the prosperity of the country. "Waste not, want not," might be the motto of this, as it should be of every banking system. Care and caution are impressed on every part of the Swedish method of business. There is none of the recklessness which too often marks lands of greater trade, and of greater resources. The minute care with which the banking balance sheets are drawn up; the publicity given to the proceedings; the thorough attention to detail, the resolution to endeavour to protect the public in those matters in which it is least able to protect itself; all show a prudence and a foresight worthy of the highest praise. The Swedish balance sheets may be thought to go very minutely into detail; but it must be remembered that attention to detail is the life of business. The Swedish banking law deserves careful attention, especially those portions of it which are designed to prevent speculation in bank shares; and those which provide security for the note circulation. The form of association, also, is remarkably good—it is admirably designed to promote careful management in carrying on the business; and combines the best points of joint stock association and private partnership. The statute is well considered and clearly arranged; the experience of other nations has been carefully interwoven into its provisions.

Of our own banking arrangements I need say but little, as they are so familiar to ourselves. I may fairly quote the old adage, "To "speak of the bridge as it bears you," in this case. The banking system of the United Kingdom is, I believe, capable of considerable development, and capable also of some improvements which I trust it will shortly receive. It is one of which, as a whole, we may be justly proud. Beyond any question, the banking system, speaking generally, has greatly assisted the progress, husbanded the resources, and promoted the prosperity of the country. I have spoken of the banking system of the United Kingdom as a whole, but it is not a little remarkable that in the three different divisions of our own country, we find methods of conducting the business differing from each other quite as much as those of the three nations which I have selected for the purpose of comparison with ourselves. The largest aggregate of deposits beyond any doubt is in England, but among the three portions of the United Kingdom, it is of Scotland alone that I can exhibit anything like a complete banking balance sheet. It is Scotland that has, relatively to its population, the greatest number of banking offices, and the greatest amount of deposits. It is Scotland that gives the greatest publicity to details. It is, hence, clear that publicity is a help and not a hindrance to banking business.

It is much to be regretted that Sir Robert Peel did not in 1844 prescribe a uniform plan of balance sheet for the joint stock banks of the United Kingdom, and require a uniform publication of accounts.

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Sir Robert Peel's reason was that no form could be devised which the fraudulent might not evade. This is true; still, a carefully considered and well-designed form cannot but be of service, and, when universally adopted, would show what banks were, or were not, attending to the leading principles on which a banking business should be conducted. Recent legislation has in some degree repaired the omissions of 1844, as far as the limited liability banks are concerned, but still, as I have previously mentioned, a great diversity of practice prevails.

I have spoken elsewhere of the Act of 1844, of what it has done, and of what it has not done so completely. It has very distinctly improved the basis of the Bank of England note circulation, but it has not had as great an influence on the banking reserve. The effect which the bank note circulation of the country, speaking generally, has upon the money market, is obviously traceable to its influence on the banking reserve. Thus, what is now by far the least important part of the circulating medium, for, as I have shown, the note circulation is far smaller in amount than the gold circulation, and infinitely smaller than the circulation of money in cheques, becomes at times the most important part in its influence. Under these circumstances, considering how greatly deposit banking has extended, and is likely to extend in the United Kingdom, and how much London has become the banking centre of Europe, it seems scarcely desirable to concentrate, more than is done at present, the increasing and varied demands which may arise from these causes on one single banking reserve. The existing country note circulation might be, without difficulty, arranged in such a manner as to provide for the internal wants of the country. I have always regretted that in 1844 Sir Robert Peel did not employ the country note circulation, as he might have done, as a link to unite the country banks together. Had Sir Robert Peel, instead of aiming, as he did throughout, to extinguish the country note circulation, endeavoured to strengthen it; had he facilitated, instead of hindering, the transfer of the right of issue from one country bank to another; had he given greater freedom to the form of association, we should, I believe, before this time have seen a small but sufficient number of powerful banking institutions arise, formed in the best manner that such institutions can be formed, by the union of existing but separated banks into one well compacted body. Union is strength. From the union of existing materials, I believe that a banking system might be formed, with which for solidity and good management no other association could compare.

The solidity and good management of the banking institutions of the country must always be matters of great moment to all classes and ranks in the community. In describing what exists, I have

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throughout confined my observations to the practical side of the question. Throughout I have sought to avoid expressing any mere opinions unsupported by facts, and I have made as complete an analysis of facts as is possible. I have endeavoured to draw up a chart of the circulating medium—a map, if I may employ the expression, of those seas over which our commerce is carried, pointing out the position of the currents as well as of the shoals, which our progress may encounter in its course. I have also given an outline of some of the re-arrangements which that progress may require. It is probable that, should the extension of our trade continue, the course of our banking will experience a similar change, and require to be moulded according to the altered wants of the time. The need of strengthening the banking reserves of the country is obvious. It would also be very desirable that some central association should be formed by which the requirements of the business should be considered, and their regulation arranged; by which also the advantages to be derived from the extension of business, as in the Scotch system, over a considerable area of the country, including districts differing in their character and requirements, might be attained. These changes, though they may be necessary, will need great caution in their introduction. What is settled by custom must always be handled with the utmost care. Still, wherever progress exists, some readjustment, some alteration will be continually needed. In these matters, "Time is the greatest "innovator; and if time in its course alters things to the worse, "and wisdom and counsel shall not alter them to the better, what "shall be the end?" These are the words of one of the earliest, perhaps the ablest, of our English men of science, a man also of much practical experience in all the business of his time. Remembering his sound advice, I trust we may bring the discussions on this important subject, on the due understanding of which the welfare of the country so largely depends, to a prosperous and successful issue.

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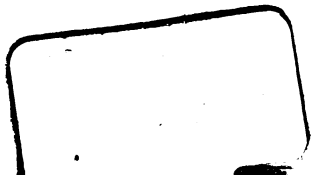

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